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FORM 10-K

BLACK & DECKER CORP - bdk

Filed: February 19, 2010 (period: December 31, 2009)

Annual report which provides a comprehensive overview of the company for the past year

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED
December 31, 2009

COMMISSION FILE NUMBER
1-01553

THE BLACK & DECKER CORPORATION
(Exact name of registrant as specified in its charter)

Maryland
(State of Incorporation)

52-0248090
(I.R.S. Employer Identification Number)

Towson, Maryland
(Address of principal executive offices)

21286
(Zip Code)

(410) 716-3900
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, par value \$.50 per share

Name of each exchange on which registered
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 26, 2009, was \$1.62 billion.

The number of shares of Common Stock outstanding as of January 22, 2010, was 61,654,405.

The exhibit index as required by Item 601(a) of Regulation S-K is included in Item 15 of Part IV of this report.

Documents Incorporated by Reference: Portions of the registrant's definitive proxy statement for the 2010 Annual Meeting of Stockholders are incorporated by reference in Part III of this report or will be contained in an amendment to this Form 10-K.

PART I

ITEM 1. BUSINESS

(a) General Development of Business

The Black & Decker Corporation (collectively with its subsidiaries, the Corporation), incorporated in Maryland in 1910, is a leading global manufacturer and marketer of power tools and accessories, hardware and home improvement products, and technology-based fastening systems. With products and services marketed in over 100 countries, the Corporation enjoys worldwide recognition of its strong brand names and a superior reputation for quality, design, innovation, and value.

The Corporation is one of the world's leading producers of power tools, power tool accessories, and residential security hardware, and the Corporation's product lines hold leading market share positions in these industries. The Corporation is also a major global supplier of engineered fastening and assembly systems. The Corporation is one of the leading producers of faucets in North America. These assertions are based on total volume of sales of products compared to the total market for those products and are supported by market research studies sponsored by the Corporation as well as independent industry statistics available through various trade organizations and periodicals, internally generated market data, and other sources.

On November 2, 2009, the Corporation announced that it had entered into a definitive merger agreement to create Stanley Black & Decker, Inc. in an all-stock transaction. Under the terms of the transaction, which has been approved by the Boards of Directors of both the Corporation and The Stanley Works, the Corporation's shareholders will receive a fixed ratio of 1.275 shares of The Stanley Works common stock for each share of the Corporation's common stock that they own. Consummation of the transaction, which is subject to customary closing conditions, including obtaining certain regulatory approvals outside of the United States, as well as shareholder approval from the shareholders of both the Corporation and The Stanley Works, is expected to occur on March 12, 2010.

(b) Financial Information about Business Segments

The Corporation operates in three reportable business segments: Power Tools and Accessories, including consumer and industrial power tools and accessories, lawn and garden products, electric cleaning, automotive, lighting, and household products, and product service; Hardware and Home Improvement, including security hardware and plumbing products; and Fastening and Assembly Systems. For additional information about these segments, see Note 17 of Notes to Consolidated Financial Statements included in Item 8 of Part II, and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 of Part II of this report.

(c) Narrative Description of the Business

The following is a brief description of each of the Corporation's reportable business segments.

POWER TOOLS AND ACCESSORIES

The Power Tools and Accessories segment has worldwide responsibility for the manufacture and sale of consumer (home use) and industrial corded and cordless electric power tools and equipment, lawn and garden products, consumer portable power products, home products, accessories and attachments for power tools, and product service. In addition, the Power Tools and Accessories segment has responsibility for the sale of security hardware to customers in Mexico, Central America, the Caribbean, and South America; for the sale of plumbing products to customers outside of the United States and Canada; and for sales of household products, principally in Europe and Brazil.

Power tools and equipment include drills, screwdrivers, impact wrenches and drivers, hammers, wet/dry vacuums, lights, radio/chargers, saws, grinders, band saws, polishers, plate joiners, jointers, lathes, dust management systems, routers, planers, tile saws, sanders, benchtop and stationary machinery, air tools, building instruments, air compressors, generators, laser products, and WORKMATE® project centers and related products. Lawn and garden products include hedge trimmers, string trimmers, lawn mowers, edgers, pruners, shears, shrubbers, blower/vacuums, power sprayers, chain saws, pressure washers, and related accessories. Consumer portable power products include inverters, jump-starters, vehicle battery chargers, rechargeable spotlights, and other related products. Home products include stick, canister and hand-held vacuums; flexible flashlights; and wet scrubbers. Power tool accessories include drill bits, hammer bits, router bits, hacksaws and blades, circular saw blades, jig and reciprocating saw blades, diamond blades, screwdriver bits and quick-change systems, bonded and other abrasives, and worksite tool belts and bags. Product service provides replacement parts and repair and maintenance of power tools, equipment, and lawn and garden products.

Power tools, lawn and garden products, portable power products, home products, and accessories are marketed around the world under the BLACK & DECKER name as well as other trademarks, and trade names, including, without limitation, ORANGE AND BLACK COLOR SCHEME; POWERFUL SOLUTIONS; FIRESTORM; GELMAX COMFORT GRIP; MOUSE; BULLSEYE; PIVOT DRIVER; STORMSTATION; WORKMATE; BLACK & DECKER XT;

SMART SELECT; AUTO SELECT; LITHIUM BATTERY-TECH; SMARTDRIVER; READY-WRENCH; CYCLONE; NAVIGATOR; DRAGSTER; SANDSTORM; PROJECTMATE; PIVOTPLUS; QUICK CLAMP; SIGHT LINE; ACCU-MARK; ACCU-BEVEL; CROSSFIRE; CROSSHAIR; 360°; QUATTRO; DECORMATE; LASERCROSS; AUTO-WRENCH; AUTO-TAPE; AIRSTATION; SHOPMASTER BY DELTA; DEWALT; YELLOW AND BLACK COLOR SCHEME; GUARANTEED TOUGH; XRP; XLR; XPS; NANO; EHP; PORTER-CABLE; TRADESMAN; GRAY AND BLACK COLOR SCHEME; IMPACT READY; PORTA-BAND; POWERBACK; MOLLY; JOB BOSS; DELTA; THE DELTA TRIANGLE LOGO; UNISAW; OMNIJIG; TIGER SAW; TIGER CLAW; CONTRACTOR'S SAW; UNIFENCE; T-SQUARE; MAG SAW; ENDURATECH; BIESEMAYER; BLACK AND WHITE COLOR SCHEME; DAPC; EMGLO; AFS AUTOMATIC FEED SPOOL; GROOM 'N' EDGE; HEDGE HOG; GRASS HOG; EDGE HOG; LEAF HOG; LAWN HOG; STRIMMER; REFLEX; VAC 'N' MULCH; ALLIGATOR; TRIM 'N' EDGE; HDL; TOUGH TRUCK; FLEX TUBE; VECTOR; ELECTROMATE; SIMPLE START; DUSTBUSTER; DUSTBUSTER FLEXI; SNAKELIGHT; SCUMBUSTER; STEAMBUSTER; CYCLOPRO; SWEEP & COLLECT; PIVOT VAC; CLICK & GO; B&D; BULLET; QUANTUM PRO; PIRANHA; SCORPION; QUICK CONNECT; PILOT POINT; RAPID LOAD; ROCK CARBIDE; TOUGH CASE; MAX LIFE; RAZOR; OLDHAM; DEWALT SERVICENET; DROP BOX EXPRESS; and GUARANTEED REPAIR COST (GRC).

The composition of the Corporation's sales by product groups for 2009, 2008, and 2007 is included in Note 17 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report. Within each product group shown, there existed no individual product that accounted for greater than 10% of the Corporation's consolidated sales for 2009, 2008, or 2007.

The Corporation's product offerings in the Power Tools and Accessories segment are sold primarily to retailers, wholesalers, distributors, and jobbers, although some discontinued or reconditioned power tools, lawn and garden products, consumer portable power products, and electric cleaning and lighting products are sold through company-operated service centers and factory outlets directly to end users. Sales to two of the segment's customers, The Home Depot and Lowe's Companies, Inc., accounted for greater than 10% of the Corporation's consolidated sales for 2009, 2008, and 2007. For additional information regarding sales to The Home Depot and Lowe's Companies, Inc., see Note 17 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report.

The Corporation's product service program supports its power tools and lawn and garden products. Replacement parts and product repair services are available through a network of company-operated service centers, which are identified and listed in product information material generally included in product packaging. At December 31, 2009, there were approximately 120 such service centers, of which roughly three-quarters were located in the United States. The remainder was located around the world, primarily in Canada and Asia. These company-operated service centers are supplemented by several hundred authorized service centers operated by independent local owners. The Corporation also operates reconditioning centers in which power tools, lawn and garden products, and electric cleaning and lighting products are reconditioned and then re-sold through numerous company-operated factory outlets and service centers and various independent distributors.

Most of the Corporation's consumer power tools, lawn and garden products, and electric cleaning, automotive, lighting, and household products sold in the United States carry a two-year warranty, pursuant to which the consumer can return defective products during the two years following the purchase in exchange for a replacement product or repair at no cost to the consumer. Most of the Corporation's industrial power tools sold in the United States carry a one-year service warranty and a three-year warranty for manufacturing defects. Products sold outside of the United States generally have varying warranty arrangements, depending upon local market conditions and laws and regulations.

The principal materials used in the manufacturing of products in the Power Tools and Accessories segment are batteries, copper, aluminum, steel, certain electronic components, motors, and plastics. These materials are used in various forms. For example, aluminum or steel may be used in the form of wire, sheet, bar, and strip stock.

The materials used in the various manufacturing processes are purchased on the open market, and the majority are available through multiple sources and are in adequate supply. The Corporation has experienced no significant work stoppages to date as a result of shortages of materials.

The Corporation has certain long-term commitments for the purchase of various finished goods, component parts, and raw materials. Since the onset of the global economic crisis in 2008, certain of the Corporation's suppliers have experienced financial difficulties and the Corporation believes it is possible that a limited number of suppliers may either cease operations or require additional financial assistance from the Corporation in order to fulfill their obligations. However, alternate sources of supply at competitive prices are available for most items for which long-term commitments exist. Because the Corporation is a leading producer of power tools and accessories, in a limited number of instances, the magnitude of the Corporation's purchases of certain items is of such significance that a change in the Corporation's established supply relationship may cause disruption in the marketplace and/or a temporary price imbalance. While the Corporation believes that the termination of any of these commitments would not have a material adverse effect on the operating results of the Power Tools and Accessories segment over the long term, the termination of

a limited number of these commitments would have an adverse effect over the short term. In this regard, the Corporation defines long term as a period of time in excess of 12 months and short term as a period of time under 12 months.

Principal manufacturing and assembly facilities of the power tools, lawn and garden products, electric cleaning and lighting products, and accessories businesses in the United States are located in Jackson, Tennessee; Shelbyville, Kentucky; and Tampa, Florida. The principal distribution facilities in the United States, other than those located at the manufacturing and assembly facilities listed above, are located in Fort Mill, South Carolina, and Rialto, California.

Principal manufacturing and assembly facilities of the power tools, lawn and garden products, electric cleaning, lighting, and household products, and accessories businesses outside of the United States are located in Suzhou, China; Usti nad Labem, Czech Republic; Buchlberg, Germany; Perugia, Italy; Reynosa, Mexico; and Uberaba, Brazil. In addition to the principal facilities described above, the manufacture and assembly of products for the Power Tools and Accessories segment also occurs at the facility of its 50%-owned joint venture located in Shen Zhen, China. The principal distribution facilities outside of the United States, other than those located at the manufacturing facilities listed above, consist of a central-European distribution center in Tongeren, Belgium, and facilities in Aarschot, Belgium; Brockville, Canada; Northampton, England; Gliwice, Poland; and Dubai, United Arab Emirates.

For additional information with respect to these and other properties owned or leased by the Corporation, see Item 2, "Properties."

The Corporation holds various patents and licenses on many of its products and processes in the Power Tools and Accessories segment. Although these patents and licenses are important, the Corporation is not materially dependent on such patents or licenses with respect to its operations.

The Corporation holds various trademarks that are employed in its businesses and operates under various trade names, some of which are stated previously. The Corporation believes that these trademarks and trade names are important to the marketing and distribution of its products.

A significant portion of the Corporation's sales in the Power Tools and Accessories segment is derived from the do-it-yourself and home modernization markets, which generally are not seasonal in nature. However, sales of certain consumer and industrial power tools tend to be higher during the period immediately preceding the Christmas gift-giving season, while the sales of most lawn and garden products are at their peak during the late winter and early spring period. Most of the Corporation's other product lines within this segment generally are not seasonal in nature, but are influenced by other general economic trends.

The Corporation is one of the world's leaders in the manufacturing and marketing of portable power tools, electric lawn and garden products, and accessories. Worldwide, the markets in which the Corporation sells these products are highly competitive on the basis of price, quality, and after-sale service. A number of competing domestic and foreign companies are strong, well-established manufacturers that compete on a global basis. Some of these companies manufacture products that are competitive with a number of the Corporation's product lines. Other competitors restrict their operations to fewer categories, and some offer only a narrow range of competitive products. Competition from certain of these manufacturers has been intense in recent years and is expected to continue.

HARDWARE AND HOME IMPROVEMENT

The Hardware and Home Improvement segment has worldwide responsibility for the manufacture and sale of security hardware products (except for the sale of security hardware in Mexico, Central America, the Caribbean, and South America). It also has responsibility for the manufacture of plumbing products and for the sale of plumbing products to customers in the United States and Canada. Security hardware products consist of residential and light commercial door locksets, electronic keyless entry systems, exit devices, keying systems, tubular and mortise door locksets, general hardware, decorative hardware, and lamps. General hardware includes door hinges, cabinet hinges, door stops, kick plates, and house numbers. Decorative hardware includes cabinet hardware, switchplates, door pulls, and push plates. Plumbing products consist of a variety of conventional and decorative lavatory, kitchen, and tub and shower faucets, bath and kitchen accessories, and replacement parts.

Security hardware products are marketed under a variety of trademarks and trade names, including, without limitation, Kwikset; Kwikset Signature Series; Black & Decker; Tylo; Polo; Avalon; Ashfield; Arlington; SmartScan; Smartkey; Smartcode; Powerbolt; Abbey; Amherst; Kwik Install; Geo; SafeLock by Black & Decker; Lido; Pembroke; Tustin; Valiant; Balboa; Key Control; Baldwin; The Estate Collection; The Images Collection; Archetypes; Bedford; Bel Air; Brooklane; Commonwealth; Sonoma; Wellington; Chelsea; Sheridan; Delta; Circa; Laurel; Hancock; Hawthorne; Gibson; Farmington; Cameron; Lifetime Finish; Roman; Regal; Copa; Cordez; Dakota; Dorian; Shelburne; Logan; Springfield; Hamilton; Blakely; Manchester; Canterbury; Madison; Stonegate; Edinburgh; Kensington; Bristol; Tremont; Peyton; Pasadena; Richland; Weiser; Weiser Lock; Collections; Welcome Home; Elements; Basics by Weiser Lock; Brilliance Lifetime Anti-Tarnish Finish; Powerbolt;

POWERBOLT KEYLESS ACCESS SYSTEM; WEISERBOLT; ENTRYSETS; BEVERLY; FAIRFAX; CORSAIR; DANE; GALIANO; KIM COLUMBIA; FASHION; HERITAGE; COVE; and HOME CONNECT TECHNOLOGY. Plumbing products are marketed under a variety of trademarks and trade names, including, without limitation, PRICE PFISTER; PFIRST SERIES BY PRICE PFISTER; PRICE PFISTER PROFESSIONAL SERIES; AMHERST; AVALON; ASHFIELD; BEDFORD; BIXBY; BRISTOL; BROOKWOOD; CARMEL; CATALINA; CLAIRMONT; CONTEMPO; FALSETTO; GENESIS; GEORGETOWN; HANOVER; HARBOR; KENZO; LANGSTON; MARIELLE; PASADENA; PARISA; PICARDY; PORTLAND; PORTOLA; REMBRANDT; SANTIAGO; SAVANNAH; SAXTON; SEDONA; SHELDON; SKYE; TREVISO; UNISON; VEGA; and VIRTUE.

The composition of the Corporation's sales by product groups for 2009, 2008, and 2007 is included in Note 17 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report. Within each product group shown, there existed no individual product that accounted for greater than 10% of the Corporation's consolidated sales for 2009, 2008, or 2007.

The Corporation's product offerings in the Hardware and Home Improvement segment are sold primarily to retailers, wholesalers, distributors, and jobbers. Certain security hardware products are sold to commercial, institutional, and industrial customers. Sales to two of the segment's customers, The Home Depot and Lowe's Companies, Inc., accounted for greater than 10% of the Corporation's consolidated sales for 2009, 2008, and 2007. For additional information regarding sales to The Home Depot and Lowe's Companies, Inc., see Note 17 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report.

Most of the Corporation's security hardware products sold in the United States carry a warranty, pursuant to which the consumer can return defective product during the warranty term in exchange for a replacement product at no cost to the consumer. Warranty terms vary by product and carry a lifetime warranty with respect to mechanical operations and range from a 5-year to a lifetime warranty with respect to finish. Products sold outside of the United States for residential use generally have similar warranty arrangements. Such arrangements vary, however, depending upon local market conditions and laws and regulations. Most of the Corporation's plumbing products sold in the United States carry a lifetime warranty with respect to function and finish, pursuant to which the consumer can return defective product in exchange for a replacement product or repair at no cost to the consumer.

The principal materials used in the manufacturing of products in the Hardware and Home Improvement segment are zamak, brass, zinc, steel, and copper. The materials used in the various manufacturing processes are purchased on the open market, and the majority are available through multiple sources and are in adequate supply. The Corporation has experienced no significant work stoppages to date as a result of shortages of materials.

The Corporation has certain long-term commitments for the purchase of various finished goods, component parts, and raw materials. Since the onset of the global economic crisis in 2008, certain of the Corporation's suppliers have experienced financial difficulties and the Corporation believes it is possible that a limited number of suppliers may either cease operations or require additional financial assistance from the Corporation in order to fulfill their obligations. However, alternate sources of supply at competitive prices are available for most items for which long-term commitments exist. Because the Corporation is a leading producer of residential security hardware and faucets, in a limited number of instances, the magnitude of the Corporation's purchases of certain items is of such significance that a change in the Corporation's established supply relationship may cause disruption in the marketplace and/or a temporary price imbalance. While the Corporation believes that the termination of any of these commitments would not have a material adverse effect on the operating results of the Hardware and Home Improvement segment over the long term, the termination of a limited number of these commitments would have an adverse effect over the short term. In this regard, the Corporation defines long term as a period of time in excess of 12 months and short term as a period of time under 12 months.

From time to time, the Corporation enters into commodity hedges on certain raw materials used in the manufacturing process to reduce the risk of market price fluctuations. Additional information with respect to the Corporation's commodity hedge program, utilizing derivative financial instruments, is included in Notes 1 and 10 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report.

Principal manufacturing and assembly facilities of the Hardware and Home Improvement segment in the United States are located in Denison, Texas; and Reading, Pennsylvania. The principal distribution facilities in the United States, other than those located at the manufacturing and assembly facilities listed above, are located in Mira Loma, California; and Charlotte, North Carolina.

Principal manufacturing and assembly facilities of the Hardware and Home Improvement segment outside of the United States are located in Mexicali and Nogales, Mexico; and Xiamen, China.

For additional information with respect to these and other properties owned or leased by the Corporation, see Item 2, "Properties."

The Corporation holds various patents and licenses on many of its products and processes in the Hardware and Home Improvement segment. Although these patents and licenses are important, the Corporation is not materially dependent on such patents or licenses with respect to its operations.

The Corporation holds various trademarks that are employed in its businesses and operates under various trade names, some of which are stated above. The Corporation believes that these trademarks and trade names are important to the marketing and distribution of its products.

A significant portion of the Corporation's sales in the Hardware and Home Improvement segment is derived from the do-it-yourself and home modernization markets, which generally are not seasonal in nature, but are influenced by trends in the residential and commercial construction markets and other general economic trends.

The Corporation is one of the world's leading producers of residential security hardware and is one of the leading producers of faucets in North America. Worldwide, the markets in which the Corporation sells these products are highly competitive on the basis of price, quality, and after-sale service. A number of competing domestic and foreign companies are strong, well-established manufacturers that compete on a global basis. Some of these companies manufacture products that are competitive with a number of the Corporation's product lines. Other competitors restrict their operations to fewer categories, and some offer only a narrow range of competitive products. Competition from certain of these manufacturers has been intense in recent years and is expected to continue.

FASTENING AND ASSEMBLY SYSTEMS

The Corporation's Fastening and Assembly Systems segment has worldwide responsibility for the development, manufacture and sale of an extensive line of metal and plastic fasteners and engineered fastening systems for commercial applications, including blind riveting, stud welding, specialty screws, prevailing torque nuts and assemblies, insert systems, metal and plastic fasteners, and self-piercing riveting systems. The Fastening and Assembly Systems segment focuses on engineering solutions for end users' fastening requirements. The fastening and assembly systems products are marketed under a variety of trademarks and trade names, including, without limitation, EMHART TEKNOLOGIES; EMHART FASTENING TEK-NOLOGIES; EMHART; AUTOSET; DODGE; DRIL-KWICK; F-SERIES; GRIPCO; GRIPCO ASSEMBLIES; HELI-COIL; JACK NUT; KALEI; MASTERFIX; NPR; NUT-FAST; PARKER-KALON; PLASTIFAST; PLASTIKWICK; POINT & SET; PRIMER FREE; POP; POP-LOK; POPMATIC; POPNUT; POPSET; POP-SERT; POWERLINK; PROSET; SMARTSET; SPIRALOCK; SWS; TUCKER; ULTRA-GRIP; ULTRASERT; WARREN; WELDFAST; and WELL-NUT.

The composition of the Corporation's sales by product groups for 2009, 2008, and 2007 is included in Note 17 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report. Within each product group shown, there existed no individual product that accounted for greater than 10% of the Corporation's consolidated sales for 2009, 2008, or 2007.

The principal markets for these products include the automotive, transportation, electronics, aerospace, machine tool, and appliance industries. Substantial sales are made to automotive manufacturers worldwide.

Products are marketed directly to customers and also through distributors and representatives. These products face competition from many manufacturers in several countries. Product quality, performance, reliability, price, delivery, and technical and application engineering services are the primary competitive factors. There is little seasonal variation in sales.

The raw materials used in the fastening and assembly systems business consist primarily of ferrous and nonferrous metals (in the form of wire, bar stock, and strip and sheet metals) and plastics. These materials are readily available from a number of suppliers.

Principal manufacturing facilities of the Fastening and Assembly Systems segment in the United States are located in Danbury, Connecticut; Montpelier, Indiana; Campbellsville and Hopkinsville, Kentucky; and Chesterfield, Michigan. Principal manufacturing and assembly facilities outside of the United States are located in Birmingham, England; Giessen, Germany; and Toyohashi, Japan. For additional information with respect to these and other properties owned or leased by the Corporation, see Item 2, "Properties."

The Corporation owns a number of United States and foreign patents, trademarks, and license rights relating to the fastening and assembly systems business. While the Corporation considers those patents, trademarks, and license rights to be valuable, it is not materially dependent upon such patents or license rights with respect to its operations.

OTHER INFORMATION

The Corporation's product development program for the Power Tools and Accessories segment is coordinated from the Corporation's headquarters in Towson, Maryland. Additionally, product development activities are performed at facilities within the United States in Hampstead, Maryland, and Jackson, Tennessee; and at facilities in Spennymoor, England; Brockville, Canada; Perugia, Italy; Suzhou, China; Buchlberg and Idstein, Germany; Mooroolbark, Australia; Uberaba, Brazil; and Reynosa, Mexico.

Product development activities for the Hardware and Home Improvement segment are performed at facilities within the United States in Lake Forest, California, and Reading, Pennsylvania; and at a facility in Xiamen, China.

Product development activities for the Fastening and Assembly Systems segment are performed at facilities within the United States in Danbury and Shelton, Connecticut; Montpelier, Indiana; Campbellsville, Kentucky; Chesterfield and Madison

Heights, Michigan; and at facilities in Birmingham, England; Maastricht, Netherlands; Giessen, Germany; and Toyohashi, Japan.

Costs associated with development of new products and changes to existing products are charged to operations as incurred. See Note 1 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report for amounts of expenditures for product development activities.

As of December 31, 2009, the Corporation employed approximately 19,900 persons in its operations worldwide. Approximately 260 employees in the United States are covered by collective bargaining agreements. During 2009, two collective bargaining agreements in the United States were negotiated without material disruption to operations. One agreement is scheduled for negotiation during 2010. Also, the Corporation has government-mandated collective bargaining arrangements or union contracts with employees in other countries. The Corporation's operations have not been affected significantly by work stoppages and, in the opinion of management, employee relations are good. As more fully described under the caption "Restructuring Actions" in Management's Discussion and Analysis of Financial Condition and Results of Operations, the Corporation is committed to continuous productivity improvement and continues to evaluate opportunities to reduce fixed costs, simplify or improve processes, and eliminate excess capacity. As a consequence, the Corporation may, from time to time, transfer production from one manufacturing facility to another, outsource certain production, close certain manufacturing facilities, or eliminate selling and administrative positions. Such production transfers, outsourcing, facility closures, and/or eliminations of positions may result in a deterioration of employee relations at the impacted locations or elsewhere in the Corporation. As more fully described under Item 1A, "Risk Factors", consummation of the proposed merger with The Stanley Works is subject to customary closing conditions, including obtaining certain regulatory approvals as well as shareholder approval from both the Corporation's shareholders and those of The Stanley Works. Expected synergies associated with the merger will require the assimilation of certain of the Corporation's operations into those of The Stanley Works, resulting in the likely termination of a number of the Corporation's employees and restructuring of certain of the Corporation's operations. The pending nature of the proposed merger could have an adverse effect on the Corporation's relationship with its employees.

The Corporation's operations are subject to foreign, federal, state, and local environmental laws and regulations. Many foreign, federal, state, and local governments also have enacted laws and regulations that govern the labeling and packaging of products and limit the sale of products containing certain materials deemed to be environmentally sensitive. These laws and regulations not only limit the acceptable methods for the discharge of pollutants and the disposal of products and components that contain certain substances, but also require that products be designed in a manner to permit easy recycling or proper disposal of environmentally sensitive components such as nickel cadmium batteries. The Corporation seeks to comply fully with these laws and regulations. Although compliance involves continuing costs, the ongoing costs of compliance with existing environmental laws and regulations have not had, nor are they expected to have, a material adverse effect upon the Corporation's capital expenditures or financial position.

Pursuant to authority granted under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), the United States Environmental Protection Agency (EPA) has issued a National Priority List (NPL) of sites at which action is to be taken to mitigate the risk of release of hazardous substances into the environment. The Corporation is engaged in continuing activities with regard to various sites on the NPL and other sites covered under analogous state environmental laws. As of December 31, 2009, the Corporation had been identified as a potentially responsible party (PRP) in connection with approximately 23 sites being investigated by federal or state agencies under CERCLA or analogous state environmental laws. The Corporation also is engaged in site investigations and remedial activities to address environmental contamination from past operations at current and former manufacturing facilities in the United States and abroad.

To minimize the Corporation's potential liability with respect to these sites, management has undertaken, when appropriate, active participation in steering committees established at the sites and has agreed to remediation through consent orders with the appropriate government agencies. Due to uncertainty as to the Corporation's involvement in some of the sites, uncertainty over the remedial measures to be adopted, and the fact that imposition of joint and several liability with the right of contribution is possible under CERCLA and other laws and regulations, the liability of the Corporation with respect to any site at which remedial measures have not been completed cannot be established with certainty. On the basis of periodic reviews conducted with respect to these sites, however, the Corporation has established appropriate liability accruals. The Corporation's estimate of the costs associated with environmental exposures is accrued if, in management's judgment, the likelihood of a loss is probable and the amount of the loss can be reasonably estimated. As of December 31, 2009, the Corporation's aggregate probable exposure with respect to environmental liabilities, for which accruals have been established in the consolidated financial statements, was \$102.1 million. In the opinion of management, the amount accrued for probable exposure for aggregate environmental liabilities is adequate and, accordingly, the ultimate resolution of these matters

is not expected to have a material adverse effect on the Corporation's consolidated financial statements. As of December 31, 2009, the Corporation had no known probable but inestimable exposures relating to environmental matters that are expected to have a material adverse effect on the Corporation. There can be no assurance, however, that unanticipated events will not require the Corporation to increase the amount it has accrued for any environmental matter or accrue for an environmental matter that has not been previously accrued because it was not considered probable. While it is possible that the increase or establishment of an accrual could have a material adverse effect on the financial results for any particular fiscal quarter or year, in the opinion of management there exists no known potential exposures that would have a material adverse effect on the financial condition or on the financial results of the Corporation beyond any such fiscal quarter or year.

(d) Financial Information about Geographic Areas

Reference is made to Note 17 of Notes to Consolidated Financial Statements, entitled "Business Segments and Geographic Information", included in Item 8 of Part II of this report.

(e) Available Information

The Corporation files annual, quarterly, and current reports, proxy statements, and other documents with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (the Exchange Act). The public may read and copy any materials that the Corporation files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including the Corporation, that file electronically with the SEC. The public can obtain any documents that the Corporation files with the SEC at <http://www.sec.gov>.

The Corporation also makes available free of charge on or through its Internet website (<http://www.bdk.com>) the Corporation's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after the Corporation electronically files such material with, or furnishes it to, the SEC.

Black & Decker's Corporate Governance Policies and Procedures Statement is available free of charge on or through its Internet website (<http://www.bdk.com>) or in print by calling (800) 992-3042 or (410) 716-2914. The Statement contains charters of the standing committees of the Board of Directors, the Code of Ethics and Standards of Conduct, and the Code of Ethics for Senior Financial Officers.

In May 2009, the Corporation submitted to the New York Stock Exchange the CEO certification required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual. The Corporation has also filed, as exhibits to this report, the CEO and CFO certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act.

(f) Executive Officers and Other Senior Officers of the Corporation

The current Executive Officers and Other Senior Officers of the Corporation, their ages, current offices or positions, and their business experience during the past five years are set forth below.

• NOLAN D. ARCHIBALD – 66

Chairman, President, and Chief Executive Officer,
January 1990 – present.

• BRUCE W. BROOKS – 45

Group Vice President of the Corporation and
President – Consumer Products Group,
Power Tools and Accessories,
January 2009 – present;

Group Vice President of the Corporation and
President – Consumer Products Group
for North America,
Power Tools and Accessories,
September 2008 – January 2009;

Group Vice President of the Corporation and
President – Consumer Products Group,
Power Tools and Accessories,
March 2007 – September 2008;

Vice President of the Corporation and President –

Construction Tools, Industrial Products Group,
Power Tools and Accessories,
May 2005 – March 2007;

Vice President and General Manager –
Construction Tools, Industrial Products Group,
Power Tools and Accessories,
October 2004 – May 2005.

• **JAMES T. CAUDILL – 42**

Group Vice President of the Corporation and
President – Hardware and Home Improvement,
July 2006 – present;

Vice President of the Corporation and President –
Hardware and Home Improvement,
May 2005 – July 2006;

Vice President and General Manager –
Accessories, Industrial Products Group,
Power Tools and Accessories Group,
October 2004 – May 2005.

- **CHARLES E. FENTON – 61**
Senior Vice President and General Counsel,
December 1996 – present.

- **LES H. IRELAND – 45**
Vice President of the Corporation and
President – North America,
Power Tools and Accessories,
January 2009 – present;

Vice President of the Corporation and
President – Commercial Operations –
Industrial Products Group,
Power Tools and Accessories,
April 2008 – January 2009;

Vice President of the Corporation and
President – Europe, Middle East, Africa,
Power Tools and Accessories,
January 2005 – April 2008;

Vice President of the Corporation and
Managing Director – Commercial Operations,
Europe, Black & Decker Consumer Group,
Power Tools and Accessories Group,
November 2001 – January 2005.

- **MICHAEL D. MANGAN – 53**
Senior Vice President of the Corporation and
President – Worldwide Power Tools and Accessories,
September 2008 – present;

Senior Vice President and Chief Financial Officer,
January 2000 – September 2008.

- **PAUL F. MCBRIDE – 54**
Senior Vice President – Human Resources
and Corporate Initiatives,
March 2004 – present.

- **CHRISTINA M. MCMULLEN – 54**
Vice President and Controller,
April 2000 – present.

- **ANTHONY V. MILANDO – 47**
Vice President of the Corporation and
Vice President Global Operations,
Power Tools and Accessories,
January 2009 – present;

Vice President of the Corporation and
Vice President – Industrial Products Group
Global Operations,
Power Tools and Accessories,
July 2008 – January 2009;

Vice President – Industrial Products Group
Global Operations,
Power Tools and Accessories,
November 2005 – July 2008;

Vice President – Global Sourcing,
Power Tools and Accessories,
March 2001 – November 2005.

• **AMY K. O'KEEFE – 39**

Vice President of the Corporation and
Vice President – Worldwide Power Tools
and Accessories Finance,
September 2008 – present;

Vice President of Finance,
Hardware and Home Improvement Group,
August 2004 – September 2008.

• **JAIME A. RAMIREZ – 42**

Vice President of the Corporation and President –
Latin America, Power Tools and Accessories,
September 2008 – present;

Vice President and General Manager –
Latin America, Power Tools and Accessories,
May 2007 – September 2008;

Vice President and General Manager –
Andean Region, Power Tools and Accessories,
July 2000 – May 2007.

• **JAMES R. RASKIN – 49**

Vice President of the Corporation and
Vice President – Business Development,
July 2006 – present;

Vice President – Business Development,
May 2002 – July 2006.

• **STEPHEN F. REEVES – 50**

Senior Vice President and Chief Financial Officer,
September 2008 – present;

Vice President of the Corporation and
Vice President – Global Finance,
Power Tools and Accessories,
March 2004 – September 2008.

• **MARK M. ROTHLEITNER – 51**

Vice President – Investor Relations and Treasurer,
January 2000 – present.

• **JOHN W. SCHIECH – 51**

Group Vice President of the Corporation and
President – Industrial Products Group,
Power Tools and Accessories,
January 2009 – present;

Group Vice President of the Corporation
and President – Industrial Products Group
for North America, Power Tools and Accessories,
September 2008 – January 2009;

Group Vice President of the Corporation
and President – Industrial Products Group,

Power Tools and Accessories,
March 2004 – September 2008.

- **NATALIE A. SHIELDS – 53**
Vice President and Corporate Secretary,
April 2006 – present;

International Tax and Trade Counsel,
June 1993 – April 2006.

- **BEN S. SIHOTA – 51**

Vice President of the Corporation and President –
Asia Pacific, Power Tools and Accessories,
February 2006 – present;

President – Asia, Power Tools and Accessories,
September 2000 – February 2006.

- **WILLIAM S. TAYLOR – 54**

Vice President of the Corporation and
Vice President – Global Product Development
Industrial Products Group,
Power Tools and Accessories,
January 2009 – present;

Vice President of the Corporation and
Vice President – Industrial Products
Group Product Development,
Power Tools and Accessories,
July 2008 – January 2009;

Vice President – Industrial Products Group
Product Development,
Power Tools and Accessories,
April 2008 – July 2008;

Vice President/General Manager –
Industrial Accessories Business,
Power Tools and Accessories,
June 2005 – April 2008;

Vice President and General Manager –
Woodworking Tools, Power Tools and Accessories,
October 2004 – June 2005.

- **MICHAEL A. TYLL – 53**

Group Vice President of the Corporation and
President – Fastening and Assembly Systems,
April 2006 – present;

President – Automotive Division,
Fastening and Assembly Systems,
January 2001 – April 2006.

- **JOHN H. A. WYATT – 51**

Vice President of the Corporation and
President – Europe, Middle East, and Africa,
Power Tools and Accessories,
September 2008 – present;

Vice President – Consumer Products –
Europe, Middle East, and Africa,
Power Tools and Accessories,
October 2006 – September 2008.

(g) Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the Reform Act) provides a safe harbor for forward-looking statements made by or on behalf of the Corporation. The Corporation and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in the Corporation's filings with the Securities and Exchange Commission and in its reports to stockholders. Generally, the inclusion of the words "believe," "expect," "intend," "estimate," "anticipate," "will," and similar expressions identify statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and that are intended to come within the safe harbor

protection provided by those sections. All statements addressing operating performance, events, or developments that the Corporation expects or anticipates will occur in the future, including statements relating to sales growth, earnings or earnings per share growth, and market share, as well as statements expressing optimism or pessimism about future operating results, are forward-looking statements within the meaning of the Reform Act. The forward-looking statements are and will be based upon management's then-current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements. The Corporation undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

By their nature, all forward-looking statements involve risks and uncertainties, including without limitations the risks described under the caption "Risk Factors" that could materially harm the Corporation's business, financial condition, and results of operations. You are cautioned not to place undue reliance on the Corporation's forward-looking statements.

ITEM 1A. RISK FACTORS

Many of the factors that affect our business and operations involve risk and uncertainty. The factors described below are some of the risks that could materially harm our business, financial condition, and results of operations.

•Our announcement that we had entered into a definitive merger agreement with The Stanley Works to create Stanley Black & Decker in an all-stock transaction could adversely affect our business. On November 2, 2009, we announced that we had entered into a definitive merger agreement to create Stanley Black & Decker in an all stock transaction. As a result of the merger, each of our shareholders will receive a fixed ratio of 1.275 shares of The Stanley Works common stock for each share of our common stock that they own. Consummation of the transaction, which is subject to customary closing conditions, including obtaining certain regulatory approvals outside of the United States as well as shareholder approval from both our shareholders and the shareholders of The Stanley Works, is expected to occur on March 12, 2010. Expected synergies associated with the transaction will require the merger of certain of our operations into those of The Stanley Works, resulting in the likely termination of a number of our employees and restructuring of certain of our operations. The announcement and pending nature of the transaction could cause disruptions in our business and have an adverse effect on our relationship with our customers, vendors, and employees, which

could, in turn, have an adverse effect on our business, financial results, and operations.

•The consummation of the transaction to create Stanley Black & Decker is not certain, and its delay or failure could adversely affect our business. There is no assurance that the transaction will occur. If the transaction is consummated, it is currently anticipated to be completed on March 12, 2010. However, we cannot predict the exact timing of the consummation of the transaction. Consummation of the transaction is subject to the satisfaction of various conditions, including obtaining certain regulatory approvals outside of the United States and the approval of both our shareholders and the shareholders of The Stanley Works. A number of the conditions are not within our control. We cannot assure you that all closing conditions will be satisfied, that we will receive the required governmental approvals outside of the United States, or that the transaction will be successfully consummated. If the transaction is not completed, the share price of our common stock may change to the extent that the current market price of our common stock reflects the assumption that the transaction will be completed. In addition, a failed transaction may result in negative publicity and a negative impression of us in the investment community. Under certain circumstances, upon termination of the merger agreement, we could be required to pay a termination fee of \$125 million to The Stanley Works.

•Our business depends on the strength of the economies in various parts of the world, particularly in the United States and Europe. We conduct business in various parts of the world, primarily in the United States and Europe and, to a lesser extent, in Mexico, Central America, the Caribbean, South America, Canada, Asia and Australia. As a result of this worldwide exposure, our net revenue and profitability could be harmed as a result of economic conditions in our major markets, including, but not limited to, recession, inflation and deflation, general weakness in retail, automotive and construction markets, and changes in consumer purchasing power.

•Changes in customer preferences, the inability to maintain mutually beneficial relationships with large customers, and the inability to penetrate new channels of distribution could adversely affect our business. We have a number of major customers, including two large customers that, in the aggregate, constituted approximately 32% of our consolidated sales in 2009. The loss of either of these large customers, a material negative change in our relationship with these large customers or other major customers, or changes in consumer preferences or loyalties could have an adverse effect on our business. Our major customers are volume purchasers, a few of which are much larger than us and have strong bargaining power with suppliers. This limits our ability to recover cost increases through higher selling prices. Changes in purchasing patterns by major customers could negatively impact manufacturing volumes and inventory levels. Further, our inability to continue to penetrate new channels of distribution may have a negative impact on our future results.

•The inability to obtain raw materials, component parts, and/or finished goods in a timely and cost-effective manner from suppliers would adversely affect our ability to manufacture and market our products. We purchase raw materials and component parts from suppliers to be used in the manufacturing of our products. In addition, we purchase certain finished goods from suppliers. Since the onset of the global economic crisis in 2008, certain of our suppliers have experienced financial difficulties and we believe it is possible that a limited number of suppliers may either cease operations or require additional financial assistance from us in order to fulfill their obligations. In a limited number of circumstances, the magnitude of our purchases of certain items is of such significance that a change in our established supply relationships may cause disruption in the marketplace, a temporary price imbalance, or both. Changes in our relationships with suppliers or increases in the costs of purchased raw materials, component parts or finished goods could result in manufacturing interruptions, delays, inefficiencies or our inability to market products. An increase in value-added taxes by various foreign jurisdictions, or a reduction in value-added tax rebates currently available to us or to our suppliers, could also increase the costs of our manufactured products as well as purchased products and components and could adversely affect our results of operations. In addition, our profit margins would decrease if prices of purchased raw materials, component parts, or finished goods increase and we are unable to pass on those increases to our customers.

•We face significant global competition. The markets in which we sell products are highly competitive on the basis of price, quality, and after-sale service. A number of competing domestic and foreign companies are strong, well-established manufacturers that compete globally with us. Some of our major customers sell their own “private label” brands that compete directly with our products. Price reductions taken by us in response to customer and competitive pressures, as well as price reductions and promotional actions taken to drive demand that may not result in anticipated sales levels, could also negatively impact our business. Competition has been intense in recent years and is expected to continue. If we are unable to maintain a competitive advantage, loss of market share, revenue, or profitability may result.

•Low demand for new products and the inability to develop and introduce new products at favorable margins could adversely impact our performance and prospects for future growth. Our competitive advantage is due in part to our ability to develop and introduce new products in a timely manner at favorable

margins. The uncertainties associated with developing and introducing new products, such as market demand and costs of development and production, may impede the successful development and introduction of new products on a consistent basis. Introduction of new technology may result in higher costs to us than that of the technology replaced. That increase in costs, which may continue indefinitely or until and if increased demand and greater availability in the sources of the new technology drive down its cost, could adversely affect our results of operations. Market acceptance of the new products introduced in recent years and scheduled for introduction in 2010 may not meet sales expectations due to various factors, such as our failure to accurately predict market demand, end-user preferences, and evolving industry standards, to resolve technical and technological challenges in a timely and cost-effective manner, and to achieve manufacturing efficiencies. Our investments in productive capacity and commitments to fund advertising and product promotions in connection with these new products could be excessive if those expectations are not met.

•Price increases could impact the demand for our products from customers and end-users. We may periodically increase the prices of our products. An adverse reaction by our customers or end-users to price increases could negatively impact our anticipated sales, profitability, manufacturing volumes, and/or inventory levels.

•The inability to generate sufficient cash flows to support operations and other activities could prevent future growth and success. Our inability to generate sufficient cash flows to support capital expansion, business acquisition plans, share repurchases and general operating activities could negatively affect our operations and prevent our expansion into existing and new markets. Our ability to generate cash flows is dependent in part upon obtaining necessary financing at favorable interest rates. Interest rate fluctuations and other capital market conditions may prevent us from doing so.

•The global credit crisis may impact the availability and cost of credit. The turmoil in the credit markets has resulted in higher borrowing costs and, for some companies, has limited access to credit, particularly through the commercial paper markets. Our ability to maintain our commercial paper program is principally a function of our short-term debt credit rating. During the first quarter of 2009, Fitch Ratings affirmed our short-term debt rating of F2, Moody's Investors Service downgraded our short-term debt rating from P2 to P3, and Standard & Poor's downgraded our short-term debt rating from A2 to A3. As a result of the reduction in our short-term credit ratings that occurred during the first quarter of 2009, our ability to access commercial paper borrowings was substantially reduced during portions of 2009. As a result, we utilized our \$1.0 billion unsecured credit facility during 2009. Although we believe that the lenders participating in our revolving credit facility will be able to provide financing in accordance with their contractual obligations, the current economic environment may adversely impact our ability to borrow additional funds on comparable terms in a timely manner. Continued disruption in the credit markets also may negatively affect the ability of our customers and suppliers to conduct business on a normal basis. The deterioration of our future business performance, beyond our current expectations, could result in our non-compliance with debt covenants.

•Our success depends on our ability to improve productivity and streamline operations to control or reduce costs. We are committed to continuous productivity improvement and continue to evaluate opportunities to reduce fixed costs, simplify or improve processes, and eliminate excess capacity. We have also undertaken restructuring actions as described in Note 19 of Notes to Consolidated Financial Statements and in "Management's Discussion and Analysis of Financial Condition and Results of Operations". The ultimate savings realized from restructuring actions may be mitigated by many factors, including economic weakness, competitive pressures, and decisions to increase costs in areas such as promotion or research and development above levels that were otherwise assumed. Our failure to achieve projected levels of efficiencies and cost reduction measures and to avoid delays in or unanticipated inefficiencies resulting from manufacturing and administrative reorganization actions in progress or contemplated would adversely affect our results of operations.

•The inability to realize new acquisition opportunities or to successfully integrate the operations of acquired businesses could negatively impact our prospect for future growth and profitability. We expend significant resources on identifying opportunities to acquire new lines of business and companies that could contribute to our success and expansion into existing and new markets. Our inability to successfully identify or realize acquisition opportunities, integrate the operations of acquired businesses, or realize the anticipated cost savings, synergies and other benefits related to the acquisition of those businesses could have a material adverse effect on our business, financial condition and future growth. Acquisitions may also have a material adverse effect on our operating results due to large write-offs, contingent liabilities, substantial depreciation, or other adverse tax or audit consequences.

•Failures of our infrastructure could have a material adverse effect on our business. We are heavily dependent on our infrastructure. Significant problems with our infrastructure, such as manufacturing failures, telephone or information technology (IT) system failure, computer viruses or other third-party tampering with IT systems, could halt or delay manufacturing and hinder our ability to ship in a timely manner or otherwise routinely conduct business. Any of these events could result in the loss of customers, a decrease in revenue, or the incurrence of significant costs to eliminate the problem or failure.

•Our products could be subject to product liability claims and litigation. We manufacture products that create exposure to product liability claims and litigation. If our products are not properly manufactured or designed, personal injuries or property damage could result, which could subject us to claims for damages. The costs associated with defending product liability claims and payment of damages could be substantial. Our reputation could also be adversely affected by such claims, whether or not successful.

•Our products could be recalled. The Consumer Product Safety Commission or other applicable regulatory bodies may require the recall, repair or replacement of our products if those products are found not to be in compliance with applicable standards or regulations. A recall could increase costs and adversely impact our reputation.

•We may have additional tax liabilities. We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by tax authorities. Although we believe our tax estimates are reasonable, the final outcome of tax audits and any related litigation could be materially different than that which is reflected in historical income tax provisions and accruals. Based on the status of a given tax audit or related litigation, a material effect on our income tax provision or net income may result in the period or periods from initial recognition in our reported financial results to the final closure of that tax audit or settlement of related litigation when the ultimate tax and related cash flow is known with certainty.

•We are subject to current environmental and other laws and regulations. We are subject to environmental laws in each jurisdiction in which we conduct business. Some of our products incorporate substances that are regulated in some jurisdictions in which we conduct manufacturing operations. We could be subject to liability if we do not comply with these regulations. In addition, we are currently and may, in the future, be held responsible for remedial investigations and clean-up costs resulting from the discharge of hazardous substances into the environment, including sites that have never been owned or operated by us but at which we have been identified as a potentially responsible party under federal and state environmental laws and regulations. Changes in environmental and other laws and regulations in both domestic and foreign jurisdictions could adversely affect our operations due to increased costs of compliance and potential liability for non-compliance.

•If our goodwill or indefinite-lived intangible assets become impaired, we may be required to record a significant charge to earnings. Under United States generally accepted accounting principles, goodwill and indefinite-lived intangible assets are not amortized but are reviewed for impairment on an annual basis or more frequently whenever events or changes in circumstances indicate that their carrying value may not be recoverable. A deterioration in the future performance of certain of our businesses, beyond our current expectations, may result in the impairment of certain amounts of our goodwill and indefinite-lived intangible assets. We may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or indefinite-lived intangible assets is determined, resulting in an impact on our results of operations.

•Changes in accounting may affect our reported earnings. For many aspects of our business, United States generally accepted accounting principles, including pronouncements, implementation guidelines, and interpretations, are highly complex and require subjective judgments. Changes in these accounting principles, including their interpretation and application, could significantly change our reported earnings, adding significant volatility to our reported results without a comparable underlying change in our cash flows. If the U.S. Securities and Exchange Commission were to mandate the adoption of International Financial Reporting Standards, significant changes to our reported earnings and balance sheet could result without a comparable underlying change in our cash flows.

•We are exposed to adverse changes in currency exchange rates, raw material commodity prices or interest rates, both in absolute terms and relative to competitors' risk profiles. We have a number of manufacturing sites throughout the world and sell our products in more than 100 countries. As a result, we are exposed to movements in the exchange rates of various currencies against the United States dollar and against the currencies of countries in which we have manufacturing facilities. We believe our most significant foreign currency exposures are the euro, pound sterling, and Chinese renminbi. A decrease in the value of the euro and pound sterling relative to the U.S. dollar could adversely affect our results of operations. An increase in the value of the Chinese renminbi relative to the U.S. dollar could adversely affect our results of operations. We utilize materials in the manufacturing of our products that include certain components and raw materials that are subject to commodity price volatility. We believe our most significant commodity-related exposures are to nickel, steel, resins, copper, aluminum, and zinc. An increase in the market prices of these items could adversely affect our results of operations. We have outstanding variable-rate and fixed-rate borrowings. To meet our cash requirements, we may incur additional borrowings in the future under our existing or future borrowing facilities. An increase in interest rates could adversely affect our results of operations.

•We are exposed to counterparty risk in our hedging arrangements. From time to time we enter into arrangements with financial institutions to hedge our exposure to fluctuations in currency and interest rates, including forward contracts and swap agreements. Recently, a number of financial institutions similar to those that serve as counterparties to our hedging arrangements have been adversely affected by the global credit crisis. The failure of one or more counterparties to our hedging arrangements to fulfill their obligations to us could adversely affect our results of operations.

•We operate a global business that exposes us to additional risks. Our sales outside of the United States accounted for approximately 43% of our consolidated sales in 2009. We continue to expand into foreign markets. The future growth and profitability of our foreign operations are subject to a variety of risks and uncertainties, such as tariffs, nationalization, exchange controls, interest rate fluctuations, civil unrest, governmental changes, limitations on foreign investment in local business and other political, economic and regulatory risks inherent in conducting business internationally. Over the past several years, such factors have become increasingly important as a result of our higher percentage of manufacturing in China, Mexico, and the Czech Republic and purchases of products and components from foreign countries.

•We have pension plans that are exposed to adverse changes in the market values of equity securities, fixed income securities, and other investments. Our funded pension plans cover substantially all of our employees in the United States and Canada (if hired before 2007) and the United Kingdom (if hired before 2005). Our funding of pension obligations and our pension benefit costs are dependent on the assumptions used in calculating such amounts, as compared to the actual experience of the plans. A decrease in the market value of equity securities, fixed income securities, and other investments could result in an increase to those obligations and costs and could adversely affect our results of operations and our cash flow.

•Catastrophic events may disrupt our business. Unforeseen events, including war, terrorism and other international conflicts, public health issues, and natural disasters such as earthquakes, hurricanes or other adverse weather and climate conditions, whether occurring in the United States or abroad, could disrupt our operations, disrupt the operations of our suppliers or customers, or result in political or economic instability. These events could reduce demand for our products and make it difficult or impossible for us to manufacture our products, deliver products to customers, or to receive products from suppliers.

The foregoing list is not exhaustive. There can be no assurance that we have correctly identified and appropriately assessed all factors affecting our business or that the publicly available and other information with respect to these matters is complete and correct. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial also may adversely impact our business. Should any risks or uncertainties develop into actual events, these developments could have material adverse effects on our business, financial condition, and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

The Corporation operates 39 manufacturing facilities around the world, including 25 located outside of the United States in 11 foreign countries. The major properties associated with each business segment are listed in "Narrative Description of the Business" in Item 1(c) of Part I of this report.

The following are the Corporation's major leased facilities:

In the United States: Lake Forest, Mira Loma, and Rialto, California; Charlotte, North Carolina; Tampa, Florida; Chesterfield, Michigan; and Towson, Maryland.

Outside of the United States: Tongeren and Aarschot, Belgium; Reynosa and Mexicali, Mexico; Brockville, Canada; Usti nad Labem, Czech Republic; Gliwice, Poland; and Xiamen and Suzhou, China.

Additional property both owned and leased by the Corporation in Towson, Maryland, is used for administrative offices. Subsidiaries of the Corporation lease certain locations primarily for smaller manufacturing and/or assembly operations, service operations, sales and administrative offices, and for warehousing and distribution centers. The Corporation also owns a manufacturing plant located on leased land in Suzhou, China.

As more fully described in Item 7 of Part II of this report under the caption "Restructuring Actions", the Corporation is committed to continuous productivity improvement and continues to evaluate opportunities to reduce fixed costs, simplify or improve processes, and eliminate excess capacity. The Corporation will continue to evaluate its worldwide manufacturing cost structure to identify opportunities to improve capacity utilization and lower product costs and will take appropriate action as deemed necessary.

Management believes that its owned and leased facilities are suitable and adequate to meet the Corporation's anticipated needs.

ITEM 3. LEGAL PROCEEDINGS

The Corporation is involved in various lawsuits in the ordinary course of business. These lawsuits primarily involve claims for damages arising out of the use of

the Corporation's products and allegations of patent and trademark infringement. The Corporation also is involved in litigation and administrative proceedings involving employment matters, commercial disputes, and income tax matters. Some of these lawsuits include claims for punitive as well as compensatory damages.

The Corporation, using current product sales data and historical trends, actuarially calculates the estimate of its exposure for product liability. The Corporation is insured for product liability claims for amounts in excess of established deductibles and accrues for the estimated liability as described above up to the limits of the deductibles. All other claims and lawsuits are handled on a case-by-case basis. The Corporation's estimate of costs associated with product liability claims, environmental matters, and other legal proceedings is accrued if, in management's judgment, the likelihood of a loss is probable and the amount of the loss can be reasonably estimated. These accrued liabilities are not discounted.

As previously noted under Item 1(c) of Part I of this report, the Corporation also is party to litigation and administrative proceedings with respect to claims involving the discharge of hazardous substances into the environment. Some of these assert claims for damages and liability for remedial investigations and clean-up costs with respect to sites that have never been owned or operated by the Corporation but at which the Corporation has been identified as a PRP. Others involve current and former manufacturing facilities.

The EPA and the Santa Ana Regional Water Quality Control Board have each initiated administrative proceedings against the Corporation and certain of the Corporation's current or former affiliates alleging that the Corporation and numerous other defendants are responsible to investigate and remediate alleged groundwater contamination in and adjacent to a 160-acre property located in Rialto, California. The United States of America, the cities of Colton and Rialto, and certain other PRPs have also initiated lawsuits (and/or asserted cross and counter-claims against the Corporation and certain of the Corporation's former or current affiliates) that are currently pending in the United States District Court for the Central District of California (collectively, the "Litigation"). In the Litigation, the various parties allege that the Corporation is liable under CERCLA, the Resource Conservation and Recovery Act, and various state laws for the discharge or release of hazardous substances into the environment and the contamination caused by those alleged releases. The Corporation, in turn, through certain of the aforementioned affiliates, has also initiated a lawsuit in the United States District Court for the Central District of California alleging that various other PRPs are liable for the alleged contamination at issue. The City of Colton also has a companion case in California State court, which is currently stayed for all purposes. Certain defendants in that case have cross-claims against other defendants and have asserted claims against the State of California. The administrative proceedings and the lawsuits generally allege that West Coast Loading Corporation (WCLC), a defunct company that operated in Rialto between 1952 and 1957, and an as yet undefined number of other defendants are responsible for the release of perchlorate and solvents into the groundwater basin, and that the Corporation and certain of the Corporation's current or former affiliates are liable as a "successor" of WCLC. The Corporation believes that neither the facts nor the law support an allegation that the Corporation is responsible for the contamination and is vigorously contesting these claims.

The EPA has provided an affiliate of the Corporation a "Notice of Potential Liability" related to environmental contamination found at the Centredale Manor Restoration Project Superfund site, located in North Providence, Rhode Island. The EPA has discovered dioxin, polychlorinated biphenyls, and pesticide contamination at this site. The EPA alleged that an affiliate of the Corporation is liable for site cleanup costs under CERCLA as a successor to the liability of Metro-Atlantic, Inc., a former operator at the site, and demanded reimbursement of the EPA's costs related to this site. The EPA, which considers the Corporation to be the primary potentially responsible party (PRP) at the site, is expected to release a draft Feasibility Study Report, which will identify and evaluate remedial alternatives for the site, in 2011. At December 31, 2009, the estimated remediation costs related to this site (including the EPA's past costs as well as costs of additional investigation, remediation, and related costs, less escrowed funds contributed by PRPs who have reached settlement agreements with the EPA), which the Corporation considers to be probable and can be reasonably estimable, range from approximately \$50.5 million to approximately \$100 million, with no amount within that range representing a more likely outcome. At December 31, 2009, the Corporation maintains a reserve for this environmental remediation matter of \$50.5 million, reflecting the probability that the Corporation will be identified as the principal financially viable PRP upon issuance of the EPA draft Feasibility Study Report in 2010. The Corporation has not yet determined the extent to which it will contest the EPA's claims with respect to this site. Further, to the extent that the Corporation agrees to perform or finance remedial activities at this site, it will seek participation or contribution from additional potentially responsible parties and insurance carriers. As the specific nature of the environmental remediation activities that may be mandated by the EPA at this site have not yet been determined, the ultimate remedial costs associated with the site may vary from the amount accrued by the Corporation at December 31, 2009.

Total future costs for environmental remediation activities will depend upon, among other things, the identification of any additional sites, the determination of the extent of contamination at each site, the timing and nature of required remedial actions, the technology available, the nature and terms of cost sharing arrangements with other PRPs, the existing legal requirements and nature and extent of future environmental laws, and the determination of the Corporation's liability at each site. The recognition of additional losses, if and when they may occur, cannot be reasonably predicted.

In the opinion of management, amounts accrued for exposures relating to product liability claims, environmental matters, and other legal proceedings are adequate and, accordingly, the ultimate resolution of these matters is not expected to have a material adverse effect on the Corporation's consolidated financial statements. As of December 31, 2009, the Corporation had no known probable but inestimable exposures relating to product liability claims, environmental matters, or other legal proceedings that are expected to have a material adverse effect on the Corporation. There can be no assurance, however, that unanticipated events will not require the Corporation to increase the amount it has accrued for any matter or accrue for a matter that has not been previously accrued because it was not considered probable. While it is possible that the increase or establishment of an accrual could have a material adverse effect on the financial results for any particular fiscal quarter or year, in the opinion of management there exists no known potential exposures that would have a material adverse effect on the financial condition or on the financial results of the Corporation beyond any such fiscal quarter or year.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Market Information

The Corporation's Common Stock is listed on the New York Stock Exchange.

The following table sets forth, for the periods indicated, the high and low sale prices of the Common Stock as reported in the consolidated reporting system for the New York Stock Exchange Composite Transactions:

QUARTER	2009			2008						
January to March	\$	46.66	to	\$	20.10	\$	74.24	to	\$	61.71
April to June	\$	41.28	to	\$	27.10	\$	71.23	to	\$	57.50
July to September	\$	51.12	to	\$	26.44	\$	69.50	to	\$	51.56
October to December	\$	67.13	to	\$	42.51	\$	62.09	to	\$	32.31

(b) Holders of the Corporation's Capital Stock

As of January 22, 2010, there were 10,257 holders of record of the Corporation's Common Stock.

Common Stock:

150,000,000 shares authorized, \$.50 par value, 61,645,196 and 60,092,726 outstanding as of December 31, 2009 and 2008, respectively.

Preferred Stock:

5,000,000 shares authorized, without par value, no shares outstanding as of December 31, 2009 and 2008.

(c) Dividends

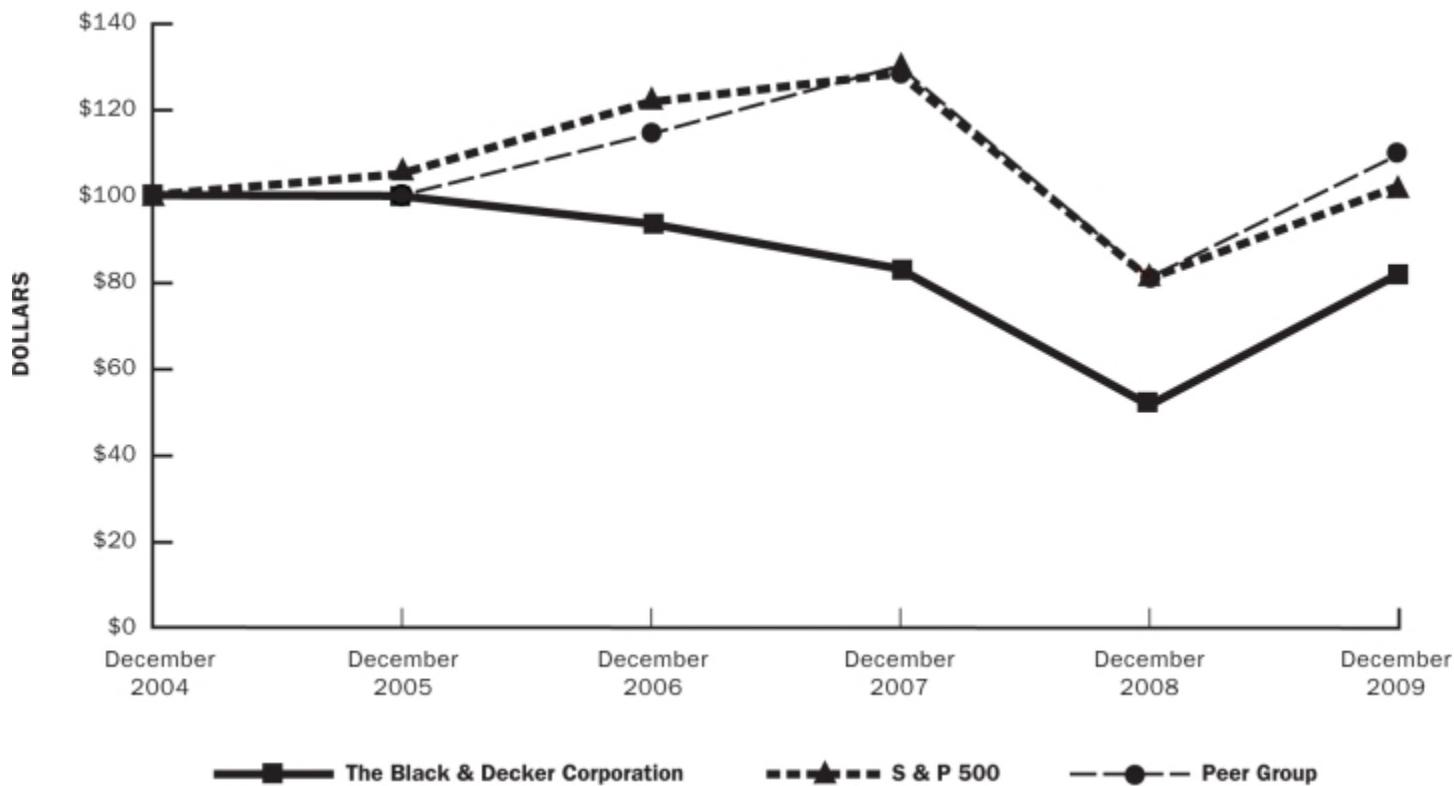
The Corporation has paid consecutive quarterly dividends on its Common Stock since 1937. Future dividends will depend upon the Corporation's earnings, financial condition, and other factors. The Credit Facility, as more fully described in Note 8 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report, does not restrict the Corporation's ability to pay regular dividends in the ordinary course of business on the Common Stock. Under the terms of the definitive merger agreement to create Stanley Black & Decker, absent the consent of The Stanley Works, the Corporation has agreed to limit its regular quarterly cash dividend to \$.12 per share.

Quarterly dividends per common share for the most recent two years are as follows:

QUARTER	2009			2008		
January to March	\$.42		\$.42	
April to June		.12			.42	
July to September		.12			.42	
October to December		.12			.42	
	\$.78		\$	1.68	

(d) Performance Graph

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN



- (1) Assumes \$100 invested at the close of business on December 31, 2004 in Black & Decker common stock, Standard & Poor's (S&P) 500 Index, and the Peer Group.
- (2) The cumulative total return assumes reinvestment of dividends.
- (3) The Peer Group consists of the companies in the following indices within the Standard & Poor's Super Composite 1,500: Household Appliances, Housewares & Specialties, Industrial Machinery, and Building Products. A list of the companies in the Peer Group will be furnished upon request addressed to the Corporate Secretary at 701 East Joppa Road, Towson, Maryland 21286.
- (4) Total return is weighted according to market capitalization of each company at the beginning of each year.

(e) Issuer Purchases of Equity Securities

PERIOD (a)	TOTAL NUMBER OF SHARES PURCHASED(b)	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS	MAXIMUM NUMBER OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS(c)
September 28, 2009 through October 25, 2009	2,816	\$ 45.64	—	3,777,145
October 26, 2009 through November 29, 2009	186,326	59.76	—	3,777,145
November 30, 2009 through December 31, 2009	—	—	—	3,777,145
Total	189,142	\$ 59.55	—	3,777,145

- (a) The periods represent the Corporation's monthly fiscal calendar.
- (b) Shares acquired from associates to satisfy withholding tax requirements upon the vesting of restricted stock.
- (c) The maximum number of shares that may yet be purchased under the plans represent the remaining shares that are available pursuant to the Corporation's publicly announced repurchase plans. The maximum number of shares that may yet be purchased

under the plans noted above included 4,000,000 shares authorized by the Board of Directors on October 17, 2007, and 2,000,000 shares authorized by the Board of Directors on February 14, 2008. Under the terms of the definitive merger agreement to create Stanley Black & Decker, absent the consent of The Stanley Works, the Corporation has agreed not to repurchase shares of its common stock pending consummation of the merger.

ITEM 6. SELECTED FINANCIAL DATA

FIVE-YEAR SUMMARY (a)(b)

(DOLLARS IN MILLIONS EXCEPT PER SHARE DATA)	2009(c)	2008(d)	2007 (e)	2006	2005 (f)
Sales	\$ 4,775.1	\$ 6,086.1	\$ 6,563.2	\$ 6,447.3	\$ 6,523.7
Net earnings from continuing operations	132.5	293.6	518.1	486.1	532.2
Loss from discontinued operations (g)	—	—	—	—	(.1)
Net earnings	132.5	293.6	518.1	486.1	532.1
Net earnings per common share – basic	2.18	4.83	7.96	6.67	6.68
Net earnings per common share – assuming dilution	2.17	4.77	7.78	6.51	6.51
Total assets	5,495.2	5,183.3	5,410.9	5,247.7	5,842.4
Long-term debt	1,715.0	1,444.7	1,179.1	1,170.3	1,030.3
Cash dividends per common share	.78	1.68	1.68	1.52	1.12

- (a) The Corporation adopted a new accounting standard effective January 1, 2009, that clarifies whether instruments granted in share-based payment transactions should be included in the computation of earnings per share using the two-class method prior to vesting, and, as required, retrospectively adjusted basic and diluted earnings per share for all prior periods to reflect the adoption of that standard.
- (b) The Corporation adopted a new accounting standard effective January 1, 2006, for the recognition of stock-based compensation expense using the modified retrospective method of adoption whereby the Corporation restated all prior periods presented based on amounts previously recognized for purposes of pro forma disclosures. Amounts in this five-year summary for 2005 reflect such restated amounts.
- (c) Earnings from continuing operations for 2009 includes a restructuring charge of \$11.9 million before taxes (\$8.4 million after taxes). In addition, earnings from continuing operations for 2009 includes merger-related expenses of \$58.8 million (\$42.6 million after taxes) relating to the Corporation's proposed merger with The Stanley Works.
- (d) Earnings from continuing operations for 2008 includes a restructuring charge of \$54.7 million before taxes (\$39.6 million after taxes).
- (e) Earnings from continuing operations for 2007 includes a favorable \$153.4 million settlement of tax litigation. In addition, earnings from continuing operations for 2007 includes a charge for an environmental remediation matter of \$31.7 million before taxes (\$20.6 million after taxes) and a restructuring charge of \$19.0 million before taxes (\$12.8 million after taxes).
- (f) Earnings from continuing operations for 2005 includes a favorable \$55.0 million before taxes (\$35.8 million after taxes) settlement of environmental and product liability coverage litigation with an insurer. In addition, earnings from continuing operations for 2005 includes \$51.2 million of incremental tax expense resulting from the repatriation of \$888.3 million of foreign earnings under the American Jobs Creation Act of 2004.
- (g) Loss from discontinued operations represents the loss, net of applicable income taxes, of the Corporation's discontinued European security hardware business.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The Corporation is a global manufacturer and marketer of power tools and accessories, hardware and home improvement products, and technology-based fastening systems. As more fully described in Note 17 of Notes to Consolidated Financial Statements, the Corporation operates in three reportable business segments – Power Tools and Accessories, Hardware and Home Improvement, and Fastening and Assembly Systems – with these business segments comprising approximately 73%, 16%, and 11%, respectively, of the Corporation's sales in 2009.

The Corporation markets its products and services in over 100 countries. During 2009, approximately 57%, 23%, and 20% of its sales were made to customers in the United States, in Europe (including the United Kingdom and Middle East), and in other geographic regions, respectively. The Power Tools and Accessories and Hardware and Home Improvement segments are subject to general economic conditions in the countries in which they operate as well as the strength of the retail economies. The Fastening and Assembly Systems segment is also subject to general economic conditions in the countries in which it operates as well as to automotive and industrial demand.

As more fully described in Note 2 of Notes to Consolidated Financial Statements, on November 2, 2009, the Corporation announced that it had entered into a definitive merger agreement to create Stanley Black & Decker, Inc. in an all-stock transaction. Under the terms of the transaction, which has been approved by the Boards of Directors of both the Corporation and The Stanley Works, the Corporation's shareholders will receive a fixed ratio of 1.275 shares of The Stanley Works common stock for each share of the Corporation's common stock that they own. Consummation of the transaction is subject to customary closing conditions, including obtaining certain regulatory approvals outside of the United States as well as shareholder approval from the shareholders of both the Corporation and The Stanley Works. The Corporation and The Stanley Works will each hold special shareholder meetings on March 12, 2010, to vote on the proposed transaction and expect that closing of the transaction will occur on that date. Unless expressly noted to the contrary, all forward-looking statements in the discussion and analysis of financial condition and results of operations that follows relate to the Corporation on a stand-alone basis and are not reflective of the impact of the proposed merger with The Stanley Works.

An overview of certain aspects of the Corporation's performance during the year ended December 31, 2009, follows:

- The Corporation continued to face a difficult demand environment during 2009 due to the impact of the global recession. Sales for 2009 were \$4,775.1 million, which represented a 22% decrease from 2008 sales of \$6,086.1 million. This reduction was the result of a 20% decline in unit volume and a 3% unfavorable impact from foreign currency translation attributable to the effects of a stronger U.S. dollar, partially offset by 1% of favorable price. That unit volume decline was experienced across all business segments and throughout all geographic regions. Entering 2010, the Corporation believes most of its key markets have stabilized – albeit at low levels – and anticipates a modest improvement in a number of those markets. For 2010, the Corporation is projecting a low-single-digit rate of sales growth over the 2009 levels as global consumer spending improves very gradually but commercial construction continues to weaken. On a stand-alone basis in 2010, the Corporation expects that its operating income as a percentage of sales will increase by 100 to 150 basis points over the 2009 level, excluding any expenses associated with the proposed merger with The Stanley Works and excluding the effect of \$11.9 million of pre-tax restructuring and exit costs recognized in 2009.
- Operating income as a percentage of sales for 2009 decreased by approximately 170 basis points from the 2008 level to 5.2%. Of that decline, an increase in selling, general, and administrative expenses contributed approximately 150 basis points and expenses of \$58.8 million related to the proposed merger with The Stanley Works contributed approximately 120 basis points. Those declines were partially offset by a decrease of \$42.8 million in restructuring and exit costs that contributed a favorable 60 basis points to operating income as a percentage of sales as well as an increase in gross margin of approximately 40 basis points. Gross margin as a percentage of sales increased in 2009 over the 2008 level as a result of the favorable effects of pricing, restructuring and cost reduction initiatives, productivity gains and commodity deflation, which were partially offset by the unfavorable effects of lower volumes, including the de-leveraging of fixed costs. Despite a \$255.2 million reduction in selling, general, and administrative expenses in 2009, selling, general, and administrative expenses as a percentage of sales increased 150 basis points over the 2008 level due to the de-leveraging of expenses over a lower sales base.
- Interest expense (net of interest income) increased by \$21.4 million in 2009 over the 2008 level, primarily as a result of the April 2009 issuance of \$350.0 million of 8.95% senior notes due 2014 and of the effects of lower interest rate spreads earned on the Corporation's foreign currency hedging activities, partially offset by the effects of lower short-term borrowing levels and interest rates during 2009.
- Net earnings were \$132.5 million, or \$2.17 per diluted share, for the year ended December 31, 2009, as compared to \$293.6 million, or \$4.77 per diluted share, for 2008. Net earnings for the year ended December 31, 2009, included the effect of after-tax merger-related

expenses of \$42.6 million (\$58.8 million before taxes), or \$.70 per diluted share, and an after-tax restructuring charge of \$8.4 million (\$11.9 million before taxes), or \$.14 per diluted share. Net earnings for the year ended December 31, 2008, included the effects of an after-tax restructuring charge of \$39.6 million (\$54.7 million before taxes), or \$.64 per diluted share. Excluding the aforementioned effects of merger-related expenses in 2009 and restructuring and exit costs in 2009 and 2008, earnings per share on a diluted basis were \$3.01 for the year ended December 31, 2009, as compared to \$5.41 for the year ended December 31, 2008.

•Cash flow from operating activities increased by \$60.2 million over the 2008 level to \$485.6 million for the year ended December 31, 2009. The increase in cash provided by operating activities in 2009 was primarily due to significant reductions in inventory levels, which more than offset a decrease in net earnings from the 2008 level. Net cash generation, defined by the Corporation as cash flow from operating activities less capital expenditures, plus proceeds from the sale of assets and cash flow from net investment hedging activities, increased to \$583.5 million in 2009 from \$389.7 million in 2008 as higher cash provided from operating activities was augmented by an increase of \$115.1 million in net cash inflow from net investment hedging activities.

The preceding information is an overview of certain aspects of the Corporation's performance during 2009 and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in its entirety.

In the discussion and analysis of financial condition and results of operations that follows, the Corporation generally attempts to list contributing factors in order of significance to the point being addressed.

Results of Operations

SALES

The following chart provides an analysis of the consolidated changes in sales for the years ended December 31, 2009, 2008, and 2007.

(DOLLARS IN MILLIONS)	2009	2008	2007
Total sales	\$ 4,775.1	\$ 6,086.1	\$ 6,563.2
Unit volume	(20) %	(9) %	(1) %
Price	1 %	— %	— %
Currency	(3) %	2 %	3 %
Change in total sales	(22) %	(7) %	2 %

The global economic recession, which began in late 2008, continued to adversely impact the Corporation's sales during 2009. Total consolidated sales for the year ended December 31, 2009, were \$4,775.1 million, which represented a decrease of 22% from 2008 sales of \$6,086.1 million. As compared to the 2008 level, unit volume decreased 20% in 2009. The unit volume decline was experienced across all business segments and throughout all geographic regions. Pricing actions had a 1% favorable impact on sales. The effects of a stronger U.S. dollar, as compared to most other currencies, particularly the euro, British pound, Canadian dollar, Brazilian real, and Mexican peso, caused the Corporation's consolidated sales for 2009 to decrease by 3% from the 2008 level.

Total consolidated sales for the year ended December 31, 2008, were \$6,086.1 million, which represented a decrease of 7% from 2007 sales of \$6,563.2 million. As compared to the 2007 level, unit volume decreased 9% in 2008. That unit volume decline was primarily driven by lower sales in the United States, due to general economic conditions in the U.S., including lower housing starts, and in Western Europe due to weakening economic conditions. The effects of pricing actions did not have a material effect on sales in 2008. The effects of a weaker U.S. dollar, as compared to most other currencies, particularly the euro, Japanese yen, Brazilian real, and Canadian dollar, caused the Corporation's consolidated sales for 2008 to increase by 2% over the 2007 level.

EARNINGS

A summary of the Corporation's consolidated gross margin, selling, general, and administrative expenses, merger-related expenses, restructuring and exit costs, and operating income – all expressed as a percentage of sales – follows:

(PERCENTAGE OF SALES)	YEAR ENDED DECEMBER 31,		
	2009	2008	2007
Gross margin	33.2%	32.8%	33.9%
Selling, general, and administrative expenses	26.5%	25.0%	24.7%
Merger-related expenses	1.2%	—%	—%
Restructuring and exit costs	.3%	.9%	.3%
Operating income	5.2%	6.9%	8.9%

The Corporation reported consolidated operating income of \$249.4 million on sales of \$4,775.1 million in 2009, as compared to operating income of \$422.1 million on sales of \$6,086.1 million in 2008 and to operating income of \$582.2 million on sales of \$6,563.2 million in 2007.

Consolidated gross margin as a percentage of sales increased by approximately 40 basis points over the 2008 level to 33.2% in 2009. That increase in gross margin was driven by the favorable effects of pricing actions, commodity deflation, and restructuring and cost

reduction initiatives, which were partially offset by the unfavorable effects of lower volumes, including the de-leveraging of fixed costs.

Consolidated gross margin as a percentage of sales declined by approximately 110 basis points from the 2007 level to 32.8% in 2008. That decrease in gross margin was driven by the negative effects of commodity inflation – together with the change in China's value added tax and appreciation of the Chinese renminbi – which, in the aggregate, increased cost of goods sold over the 2007 level by approximately \$160 million in 2008. In addition, the comparison of gross margin as a

percentage of sales for the year ended December 31, 2008, to the 2007 level was negatively impacted by the effects of unfavorable product mix as well as the de-leveraging of fixed costs over a lower sales base. Those negative factors were partially offset by the favorable effects of productivity and restructuring initiatives, foreign currency transaction gains, and lower customer consideration and cost of sales promotions.

Consolidated selling, general, and administrative expenses as a percentage of sales were approximately 26.5% in 2009 and 25.0% in 2008. Consolidated selling, general, and administrative expenses in 2009 decreased by \$255.2 million from the 2008 level. That decline was due to several factors, including: (i) cost reduction initiatives and restructuring savings; (ii) decreases in variable selling expenses (such as transportation and distribution) due to lower sales volumes; and (iii) the favorable effects of foreign currency translation.

Consolidated selling, general, and administrative expenses as a percentage of sales were approximately 25.0% in 2008 and 24.7% in 2007. Consolidated selling, general, and administrative expenses in 2008 decreased by \$104.2 million from the 2007 level. The favorable effects of cost control and restructuring initiatives, coupled with the effect of lower sales on certain volume-sensitive expenses (such as transportation and distribution), and lower environmental expense offset the unfavorable effects of foreign currency translation and additional selling, general, and administrative expenses to support increased sales in certain markets outside of the United States and Europe.

In 2009, the Corporation recognized \$58.8 million of pre-tax merger-related expenses related to its proposed merger with The Stanley Works. As more fully described in Note 2 of Notes to Consolidated Financial Statements, those \$58.8 million of merger-related expenses included employment-related change-in-control costs triggered by the signing of the merger agreement in 2009 together with legal and advisory fees associated with the transaction. In addition during 2009, the Corporation recognized \$11.9 million of pre-tax restructuring and exit costs related to actions in its Power Tools and Accessories, Hardware and Home Improvement, and Fastening and Assembly Systems segments. As more fully described in Note 19 of Notes to Consolidated Financial Statements, these restructuring charges primarily reflected actions to reduce the Corporation's selling, general, and administrative expenses and to improve its manufacturing cost base.

In 2008, the Corporation recognized \$54.7 million of pre-tax restructuring and exit costs related to actions in each of its business segments as well as its corporate office. The 2008 restructuring charge reflected actions to reduce the Corporation's manufacturing cost base as well as selling, general, and administrative expenses.

In 2007, the Corporation recognized \$19.0 million of pre-tax restructuring and exit costs related to actions in its Power Tools and Accessories and Hardware and Home Improvement segments. The 2007 restructuring charge reflected actions to reduce the Corporation's manufacturing cost base as well as selling, general, and administrative expenses in those segments.

Consolidated net interest expense (interest expense less interest income) was \$83.8 million in 2009, as compared to \$62.4 million in 2008 and \$82.3 million in 2007. The increase in net interest expense in 2009, as compared to 2008, was primarily the result of the April 2009 issuance of \$350.0 million of 8.95% senior notes due 2014 and of the effects of lower interest rate spreads earned on the Corporation's foreign currency hedging activities, partially offset by the effects of lower short-term borrowing levels and interest rates during 2009. The decrease in net interest expense in 2008, as compared to 2007, was primarily the result of lower interest rates, including the impact on the Corporation's foreign currency hedging activities.

Other (income) expense was \$(4.8) million in 2009, as compared to \$(5.0) million in 2008 and \$2.3 million in 2007. Other (income) expense for the year ended December 31, 2009, benefited from a \$6.0 million insurance settlement related to an environmental matter. Other (income) expense for the year ended December 31, 2008, benefited from a gain on the sale of a non-operating asset.

Consolidated income tax expense (benefit) of \$37.9 million, \$71.1 million, and \$(20.5) million was recognized on the Corporation's earnings before income taxes of \$170.4 million, \$364.7 million, and \$497.6 million, for 2009, 2008, and 2007, respectively. The effective tax rate of 22.3% recognized for the year ended December 31, 2009, benefited from favorable adjustments associated with new facts regarding certain income tax matters and the favorable resolution of certain tax audits. The Corporation's 2009 effective tax rate of 22.3% was higher than its 2008 effective tax rate of 19.5% primarily as a result of discrete items in 2008 discussed below and the de-leveraging effect of the interest component on reserves for uncertain tax positions, included as an element of tax expense, on lower earnings before income taxes in 2009. Income tax expense (benefit) in 2008 reflects: (i) the favorable resolution of certain tax audits in 2008; (ii) a \$15.1 million tax benefit associated with a \$54.7 million pre-tax restructuring charge; and (iii) favorability associated with the finalization of closing agreements of the settlement of income tax litigation between the Corporation and the U.S. government agreed to in late 2007. Income tax expense (benefit) in 2007 reflects: (i) the effect of a \$153.4 million tax benefit associated with a settlement reached on an income tax litigation matter; (ii) an \$11.1 million tax benefit associated with a \$31.7 million pre-tax charge for an environmental remediation matter; and (iii) a \$6.2 million tax benefit associated with a \$19.0 million pre-tax restructuring charge. The previously described items had a significant impact on the Corporation's effective income tax rates. A further analysis of taxes on earnings is included in Note 12 of Notes to Consolidated Financial Statements.

The Corporation reported net earnings of \$132.5 million, \$293.6 million, and \$518.1 million, or \$2.17, \$4.77 and \$7.78 per share on a diluted basis, for the years ended December 31, 2009, 2008, and 2007, respectively. Net earnings for the year ended December 31, 2009, included the effect of after-tax merger-related expenses of \$42.6 million (\$58.8 million before taxes), or \$.70 per share on a diluted basis, and an after-tax restructuring charge of \$8.4 million (\$11.9 million before taxes) or \$.14 per share on a diluted basis. Net earnings for the year ended December 31, 2008, included the effect of an after-tax restructuring charge of \$39.6 million (\$54.7 million before taxes), or \$.64 per share on a diluted basis. Excluding the aforementioned effects of merger-related expenses in 2009 and restructuring and exit costs in 2009 and 2008, earnings per share on a diluted basis were \$3.01 for the year ended December 31, 2009, as compared to \$5.41 for the year ended December 31, 2008.

Business Segments

As more fully described in Note 17 of Notes to Consolidated Financial Statements, the Corporation operates in three reportable business segments: Power Tools and Accessories, Hardware and Home Improvement, and Fastening and Assembly Systems.

POWER TOOLS AND ACCESSORIES

Segment sales and profit for the Power Tools and Accessories segment, determined on the basis described in Note 17 of Notes to Consolidated Financial Statements, were as follows (in millions of dollars):

YEAR ENDED DECEMBER 31,	2009	2008	2007
Sales to unaffiliated customers	\$ 3,471.5	\$ 4,286.6	\$ 4,754.8
Segment profit	257.3	317.4	482.2

Sales to unaffiliated customers in the Power Tools and Accessories segment during 2009 decreased 19% from the 2008 level. That decline primarily resulted in the North American and European businesses as those businesses were adversely affected by the impact of the global recession, including lower residential and commercial construction activity, reduced consumer discretionary spending, and inventory de-stocking by retailers.

Sales in North America decreased 21% during 2009, as compared to the 2008 level, primarily due to continued weak demand in the United States in light of depressed housing activity and decelerating commercial construction. Sales declines were experienced across all channels and product lines. Sales of industrial power tools and accessories in the United States decreased 26%, with lower sales in the independent channel and at retail. Sales of consumer power tools and accessories in the United States decreased at a mid-single-digit rate from the 2008 level. In Canada, sales decreased 25%, with a 26% decline in sales of industrial power tools and accessories and a double-digit rate of decline in sales of consumer power tools and accessories.

Sales in Europe during 2009 decreased 23% from the level experienced in 2008 due to the impact of the global recession. Sales declined across all markets and in all key product lines. The sales decline was particularly severe in Eastern Europe, Scandinavia, and the United Kingdom. During 2009, European sales of industrial power tools and accessories declined by 26% and sales of consumer power tools and accessories declined by a double-digit rate from the 2008 levels.

Sales in other geographic areas decreased at a mid-single-digit rate during 2009 from the 2008 level. This decrease primarily resulted from a mid-single-digit rate of decline in Latin America, with double-digit rates of declines experienced in the Caribbean, Central America, and Mexico – areas more closely tied to the U.S. economy than others in the region. Sales in Asia/Pacific decreased at a mid-single-digit rate.

Segment profit as a percentage of sales for the Power Tools and Accessories segment was 7.4% for 2009 and 2008. As percentages of sales, a 110-basis-point improvement in gross margin during 2009 was offset by a 110-basis-point increase in selling, general, and administrative expenses. The increase in gross margin as a percentage of sales was principally due to favorable price, a positive comparison to inventory write-downs in 2008, and the benefit of restructuring and cost reduction initiatives. The increase in selling, general, and administrative expenses as a percentage of sales resulted from the de-leveraging of expenses over lower sales, which more than offset the favorable effects of restructuring and cost reduction initiatives and a reduction in variable selling expenses.

Sales to unaffiliated customers in the Power Tools and Accessories segment during 2008 decreased 10% from the 2007 level. That decline primarily resulted from the North American business, which faced weak housing and discretionary spending all year, and a slowdown in Europe which accelerated during the second half of the year.

Sales in North America decreased at a double-digit rate during 2008, as compared to the 2007 level, primarily as a result of weak demand in the United States as a result of depressed housing and decelerating commercial construction. Sales of the Corporation's industrial power tools and accessories business in the United States decreased at a low-double-digit rate with declines in all major product categories and in most channels due primarily to broad market weakness. Sales of the consumer power tools and accessories business in the United States decreased by more than 20% primarily due to lost listings in the pressure washer category, weak demand, and the effects of a transition from the Firestorm® to the Porter-Cable® brand of power tools and accessories at a large customer. Most other product categories also declined in comparison to 2007, but those declines were partially offset by increased sales in outdoor products. In Canada, sales increased at a mid-single-digit rate over the 2007 level, primarily due to a double-digit rate of increase.

of sales of industrial power tools and accessories that partially offset a double-digit rate of decline of sales of consumer power tools and accessories.

Sales of the European power tools and accessories business during 2008 decreased at a low-double-digit rate from the level experienced in 2007 as a result of deteriorating economic conditions in Western Europe, which were partially offset by growth in the Eastern Europe and Middle East/Africa regions due to growth in the first nine months of 2008 which offset declines in the fourth quarter. The decline in sales of the European power tools and accessories business reflected a rapid deterioration in the second half of 2008, following a mid-single-digit rate of decline in the first half of the year. Sales of both the Corporation's industrial and consumer power tools and accessories businesses in Europe decreased at a double-digit rate during 2008 from the 2007 level.

Sales in other geographic areas increased at a double-digit rate in 2008 over the 2007 level. That growth primarily resulted from a double-digit rate of increase in Latin America and a low-single-digit rate of increase in the Asia/Pacific region, where sales growth in Asia offset declines in Australia and New Zealand.

Segment profit as a percentage of sales for the Power Tools and Accessories segment was 7.4% for 2008, as compared to 10.1% for 2007. Gross margin as a percentage of sales for 2008 declined in comparison to 2007 primarily as a result of commodity inflation (together with the change in China's value added tax and appreciation of the Chinese renminbi), unfavorable product mix, and the de-leveraging of fixed costs, partially offset by the favorable effects of productivity and restructuring initiatives and the absence of a significant product recall that occurred in 2007. Selling, general, and administrative expenses as a percentage of sales for 2008 increased over the 2007 level due primarily to the de-leveraging of expenses over lower sales volumes.

HARDWARE AND HOME IMPROVEMENT

Segment sales and profit for the Hardware and Home Improvement segment, determined on the basis described in Note 17 of Notes to Consolidated Financial Statements, were as follows (in millions of dollars):

YEAR ENDED DECEMBER 31,	2009	2008	2007
Sales to unaffiliated customers	\$ 755.4	\$ 891.6	\$ 1,001.7
Segment profit	76.9	75.8	113.6

Sales to unaffiliated customers in the Hardware and Home Improvement segment during 2009 decreased 15% from the 2008 level. Sales of security hardware in the United States declined at a double-digit rate due to continued weakness in residential construction, which was partially offset by the continued success of the SmartKey product line. Sales of plumbing products in the United States declined 21% in 2009 across all channels. Sales of the Hardware and Home Improvement segment outside of the United States declined at a double-digit rate in 2009 from the 2008 level, principally due to weakness in Canada.

Segment profit as a percentage of sales in the Hardware and Home Improvement segment increased from 8.5% in 2008 to 10.2% in 2009. Gross margin as a percentage of sales increased in 2009, as compared to 2008, due to product cost deflation as well as to the favorable effect of restructuring and productivity initiatives. Despite cost reduction initiatives implemented throughout 2009, selling, general, and administrative expenses as a percentage of sales increased in 2009, as compared to 2008, as a result of de-leveraging of fixed and semi-fixed costs over a lower sales base.

Sales to unaffiliated customers in the Hardware and Home Improvement segment during 2008 decreased 11% from the 2007 level. Sales of security hardware in the United States declined at a double-digit rate due, in part, to the negative effects of the U.S. housing slowdown. Sales of plumbing products in the United States declined at a high-single-digit rate in 2008, driven by the U.S. housing slowdown. Sales of the Hardware and Home Improvement segment outside of the United States declined at a low-single-digit rate in 2008 from the 2007 level, principally due to weakness in Canada.

Segment profit as a percentage of sales in the Hardware and Home Improvement segment decreased from 11.3% in 2007 to 8.5% in 2008. Gross margin as a percentage of sales declined slightly in 2008, as compared to 2007, as the negative effects of commodity inflation and lower volumes were only partially offset by productivity and restructuring initiatives. Selling, general, and administrative expenses as a percentage of sales increased in 2008, as compared to 2007, as a result of de-leveraging of fixed and semi-fixed costs over a lower sales base.

FASTENING AND ASSEMBLY SYSTEMS

Segment sales and profit for the Fastening and Assembly Systems segment, determined on the basis described in Note 17 of Notes to Consolidated Financial Statements, were as follows (in millions of dollars):

YEAR ENDED DECEMBER 31,	2009	2008	2007
Sales to unaffiliated customers	\$ 536.6	\$ 703.2	\$ 720.7
Segment profit	39.5	106.0	113.9

Sales to unaffiliated customers in the Fastening and Assembly Systems segment decreased 24% in 2009 from the 2008 level. Incremental sales of the Spiralock business, acquired in September 2008, contributed 1.6% to the segment's sales during 2009. Sales

of the North American and European automotive businesses declined 35% and 20%, respectively, due to the collapse of the automotive industry in the first half of 2009. Sales in the North American and European industrial businesses declined 30% and 24%, respectively, due to reductions in industrial production levels as a result of the global recession. In Asia, sales declined by 24% from the 2008 level.

Segment profit as a percentage of sales for the Fastening and Assembly Systems segment decreased from 15.1% in 2008 to 7.4% in 2009. Despite significant restructuring and cost reduction initiatives undertaken by the segment in 2009, the decrease in segment profit as a percentage of sales was primarily due to de-leveraging of costs over lower volumes.

Sales to unaffiliated customers in the Fastening and Assembly Systems segment decreased 2% in 2008 from the 2007 level. The September acquisition of Spiralock resulted in a 1% increase in the segment's sales during 2008. Sales of the North American businesses declined at a double-digit rate, reflecting weakness in the automotive businesses due to a drop in automotive production. Sales in the European industrial business fell at a low-single-digit rate while sales in the European automotive business rose at a low-single-digit rate. In Asia, sales grew at a high-single-digit rate, reflecting sales growth across all markets.

Segment profit as a percentage of sales for the Fastening and Assembly Systems segment decreased from 15.8% in 2007 to 15.1% in 2008. The decrease in segment profit as a percentage of sales was principally attributable to commodity inflation as well as de-leveraging of fixed costs over a lower sales base.

OTHER SEGMENT-RELATED MATTERS

As indicated in the first table of Note 17 of Notes to Consolidated Financial Statements, segment profit (loss), associated with Corporate, Adjustments, and Eliminations (Corporate) was \$(67.1) million, \$(51.8) million, and \$(106.2) million for the years ended December 31, 2009, 2008, and 2007, respectively. Corporate expenses for 2009 increased over the 2008 level primarily due to higher expenses associated with benefits and risk management, as well as higher pension expense.

Corporate expenses for 2008 decreased from the 2007 level primarily due to the effects of lower pension, legal, and environmental expenses, lower expenses associated with intercompany eliminations (due, in part, to foreign currency effects), and a foreign currency loss by a Corporate subsidiary in 2007 that did not recur in 2008, which were partially offset by expense directly related to reportable business segments booked in consolidation in 2008 (as compared to income in 2007 as described below).

Expense recognized by the Corporation in 2009, on a consolidated basis, relating to its pension and other postretirement benefits plans increased by approximately \$4 million over the 2008 level. Expense recognized by the Corporation in 2008, on a consolidated basis, relating to its pension and other postretirement benefits plans decreased by approximately \$24 million from the 2007 level. The Corporate adjustment to businesses' postretirement benefit expense booked in consolidation, as identified in the second table included in Note 17 of Notes to Consolidated Financial Statements, was expense in 2009, 2008, and 2007 of \$12.0 million, \$3.6 million, and \$19.9 million, respectively. The \$8.4 million increase in that Corporate adjustment in 2009, as compared to 2008, resulted from the higher level of pension and other postretirement benefit expenses (excluding service costs allocated to the reportable business segments). The \$16.3 million decrease in that Corporate adjustment in 2008, as compared to 2007, resulted from the lower level of pension and other postretirement benefit expenses (excluding service costs allocated to the reportable business segments). As more fully described in Note 17 of Notes to Consolidated Financial Statements, the only element of pension and other postretirement benefits expense included in the determination of segment profit of the Corporation's reportable business segments is service costs.

Income (expenses) directly related to reportable business segments booked in consolidation, and, thus, excluded from segment profit for the reportable business segments, were \$.(3) million, \$(4.9) million, and \$8.3 million for the years ended December 31, 2009, 2008, and 2007, respectively. The \$.(3) million of segment-related expenses excluded from segment profit in 2009 principally related to the Power Tools and Accessories and Hardware and Home Improvement segments. The \$4.9 million of segment-related expenses excluded from segment profit in 2008 principally related to the Power Tools and Accessories segment, partially offset by the reversal of certain performance-based incentive expenses included in the allocation of Corporate expenses to each of the reportable business segments. The \$8.3 million of segment-related income excluded from segment profit in 2007 principally related to the Power Tools and Accessories segment as well as to the reversal of certain performance-based incentive expenses included in the allocation of Corporate expenses to each of the reportable business segments.

As indicated in Note 17 of Notes to Consolidated Financial Statements, the determination of segment profit excludes restructuring and exit costs and, in 2009, pre-tax merger-related expenses of \$58.8 million. Of the \$11.9 million pre-tax restructuring charge recognized in 2009, \$7.1 million, \$1.7 million, and \$3.1 million related to the Power Tools and Accessories, Hardware and Home Improvement and Fastening and Assembly Systems segments, respectively. Of the \$54.7 million pre-tax restructuring charge recognized in 2008, \$42.1 million, \$6.1 million, and \$6.0 million related to the Power Tools and Accessories, Hardware and Home Improvement and Fastening and Assembly Systems segments, respectively, and \$.5 million related to corporate functions. Of the \$19.0 million pre-tax restructuring charge recognized in 2007, \$9.0 million and \$10.0 million related to the Power Tools and Accessories and Hardware and Home Improvement segments, respectively.

Restructuring Actions

The Corporation is committed to continuous productivity improvement and continues to evaluate opportunities to reduce fixed costs, simplify or improve processes,

and eliminate excess capacity. A tabular summary of restructuring activity during the three years ended December 31, 2009, is included in Note 19 of Notes to Consolidated Financial Statements.

In 2009, the Corporation recognized \$14.2 million of pre-tax restructuring and exit costs related to actions taken in its Power Tools and Accessories, Hardware and Home Improvement, and Fastening and Assembly segments. The \$14.2 million charge recognized in 2009 was offset, however, by the reversal of \$1.8 million and \$.5 million of severance and other accruals, respectively, established as part of previously provided restructuring reserves that were no longer required. The 2009 restructuring charge related to the elimination of direct and indirect manufacturing positions as well as selling, general, and administrative positions. A severance benefits accrual of \$12.6 million was included in the restructuring charge, of which \$8.9 million related to the Power Tools and Accessories segment, \$2.3 million related to the Fastening and Assembly Systems segment, and \$1.4 million related to the Hardware and Home Improvement segment. The severance benefits accrual included the elimination of approximately 1,500 positions, including approximately 1,200 manufacturing related positions. The restructuring charge also included a \$.4 million write-down to fair value of certain long-lived assets for the Hardware and Home Improvement segment. In addition, the restructuring charge included charges of \$.3 million and \$.9 million related to the early termination of lease agreements by the Power Tools and Accessories segment and Fastening and Assembly Systems segment, respectively, necessitated by the restructuring actions.

In 2008, the Corporation recognized \$54.7 million of pre-tax restructuring and exit costs related to actions taken in its Power Tools and Accessories, Hardware and Home Improvement, and Fastening and Assembly segments as well as in its corporate offices. The 2008 restructuring charge reflected actions to reduce the Corporation's manufacturing cost base as well as selling, general, and administrative expenses. The principal component of the 2008 restructuring charge related to the elimination of manufacturing and selling, general, and administrative positions. A severance benefits accrual of \$48.3 million was recognized associated with the elimination of approximately 2,300 positions. The Corporation estimates that, as a result of increases in manufacturing employee headcount in other facilities, approximately 200 replacement positions will be filled, yielding a net total of approximately 2,100 positions eliminated as a result of the 2008 restructuring actions. The restructuring charge also included a \$3.7 million write-down to fair value of certain long-lived assets for the Power Tools and Accessories segment (\$.3.0 million) and Hardware and Home Improvement segment (\$.7 million), which were either held for sale or idled in preparation for disposal. As part of these restructuring actions, the Power Tools and Accessories segment closed its manufacturing facility in Decatur, Arkansas, and transferred production to another facility. The restructuring charge also reflected \$1.8 million related to the early termination of a lease agreement by the Power Tools and Accessories segment necessitated by restructuring actions. The restructuring charge also included a \$.9 million non-cash pension curtailment charge associated with positions eliminated as part of the restructuring actions.

In 2007, the Corporation recognized \$19.0 million of pre-tax restructuring and exit costs related to actions taken in its Power Tools and Accessories and Hardware and Home Improvement segments. The 2007 restructuring charge reflected actions to reduce the Corporation's manufacturing cost base as well as selling, general, and administrative expenses. The restructuring actions to reduce the Corporation's manufacturing cost base in the Power Tools and Accessories segment included the closure of a manufacturing facility, with production from that facility either transferred to other facilities or outsourced from third-party suppliers. Actions to reduce the Corporation's manufacturing cost base in the Hardware and Home Improvement segment primarily related to optimization of its North American finishing operations, including the transfer of most finishing operations to a single facility. The principal component of the 2007 restructuring charge related to the elimination of manufacturing and selling, general, and administrative positions. A severance benefits accrual of \$14.8 million was recognized associated with the elimination of approximately 650 positions. The Corporation estimates that, as a result of increases in manufacturing employee headcount in other facilities, approximately 100 replacement positions were filled, yielding a net total of approximately 550 positions eliminated as a result of the 2007 restructuring actions. The restructuring and exit costs also include a \$.7.4 million write-down to fair value of certain long-lived assets of the Hardware and Home Improvement segment that had been idled and either sold or scrapped. The \$19.0 million restructuring charge taken in 2007 was net of a \$.3.4 million gain, representing the excess of proceeds received on the sale of the manufacturing facility to be closed under the restructuring plan over its carrying value.

In addition to the recognition of restructuring and exit costs, the Corporation also recognized related expenses, incremental to the cost of the underlying restructuring actions, that do not qualify as restructuring or exit costs under accounting principles generally accepted in the United States (restructuring-related expenses). Those restructuring-related expenses included items – directly related to the underlying restructuring actions – that benefited on-going operations, such as costs associated with the transfer of equipment. Operating results included restructuring-related expenses of approximately \$4 million for the years ended December 31, 2009 and December 31, 2008, respectively, and \$5 million for the year ended December 31, 2007.

The Corporation realized benefits of approximately \$76 million, \$23 million, and \$— million in 2009, 2008, and 2007, respectively, net of restructuring-related expenses. Those benefits resulted in a reduction in cost of goods sold of approximately \$25 million and \$5 million in 2009 and 2008, respectively, and a reduction in selling, general, and administrative expenses of approximately \$51 million and \$18 million in 2009 and 2008, respectively. The Corporation expects that pre-tax savings associated with the 2009, 2008, and 2007 restructuring actions will benefit 2010 results by approximately \$37 million, net of restructuring-related expenses.

Ultimate savings realized from restructuring actions may be mitigated by such factors as economic weakness and competitive pressures, as well as decisions to increase costs in areas such as promotion or research and development above levels that were otherwise assumed.

Hedging Activities

The Corporation has a number of manufacturing sites throughout the world and sells its products in more than 100 countries. As a result, it is exposed to movements in the exchange rates of various currencies against the United States dollar and against the currencies of countries in which it manufactures. The major foreign currencies in which foreign currency risks exist are the euro, pound sterling, Canadian dollar, Japanese yen, Chinese renminbi, Australian dollar, Mexican peso, Czech koruna, and Brazilian real. Through its foreign currency activities, the Corporation seeks to reduce the risk that cash flows resulting from the sales of products manufactured in a currency different from that of the selling subsidiary will be affected by changes in exchange rates.

From time to time, currencies may strengthen or weaken in countries in which the Corporation sells or manufactures its product. While the Corporation will take actions to mitigate the impact of any future currency movements, there is no assurance that such movements will not adversely affect the Corporation.

Assets and liabilities of subsidiaries located outside of the United States are translated at rates of exchange at the balance sheet date as more fully explained in Note 1 of Notes to Consolidated Financial Statements. The resulting translation adjustments are included in the accumulated other comprehensive income (loss) component of stockholders' equity. During 2009 and 2008, translation adjustments, recorded in the accumulated other comprehensive income (loss) component of stockholders' equity, increased (decreased) stockholders' equity by \$88.4 million and \$(172.1) million, respectively.

The materials used in the manufacturing of the Corporation's products, which include certain components and raw materials, are subject to price volatility. These component parts and raw materials are principally subject to market risk associated with changes in the price of nickel, steel, resins, copper, aluminum, and zinc. The materials used in the various manufacturing processes are purchased on the open market, and the majority is available through multiple sources. While future movements in prices of raw materials and component parts are uncertain, the Corporation uses a variety of methods, including established supply arrangements, purchase of component parts and raw materials for future delivery, and supplier price commitments, to address this risk. In addition, the Corporation utilizes derivatives to manage its risk to changes in the prices of certain commodities. As of December 31, 2009, the amount outstanding under commodity hedges was not material.

As more fully described in Note 1 of Notes to Consolidated Financial Statements, the Corporation seeks to issue debt opportunistically, whether at fixed or variable rates, at the lowest possible costs. Based upon its assessment of the future interest rate environment and its desired variable-rate-debt to total-debt ratio, the Corporation may elect to manage its interest rate risk associated with changes in the fair value of its indebtedness, or the cash flows of its indebtedness, through the use of interest rate swap agreements.

In order to meet its goal of fixing or limiting interest costs, the Corporation maintains a portfolio of interest rate hedge instruments. The variable-rate-debt to total-debt ratio, after taking interest rate hedges into account, was 30% at December 31, 2009, as compared to 44% at December 31, 2008 and 2007. The reduction in the variable rate percentage in 2009 resulted from the Corporation's issuance of \$350.0 million of fixed rate debt in April 2009. At December 31, 2009, average debt maturity was 5.2 years, as compared to 6.0 years at December 31, 2008, and 6.2 years at December 31, 2007. At December 31, 2009 the average long-term debt maturity was 5.2 years, as compared to 6.3 years at December 31, 2008, and 8.0 years at December 31, 2007.

INTEREST RATE SENSITIVITY

The following table provides information as of December 31, 2009, about the Corporation's derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, including interest rate swaps and debt obligations. For debt obligations, the table presents principal cash flows and related average interest rates by contractual maturity dates. For interest rate swaps, the table presents notional principal amounts and weighted-average interest rates by contractual maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged under the interest rate swaps. Weighted-average variable rates are generally based on the London Interbank Offered Rate (LIBOR) as of the reset dates. The cash flows of these instruments are denominated in a variety of currencies. Unless otherwise indicated, the information is presented in U.S. dollar equivalents, which is the Corporation's reporting currency, as of December 31, 2009.

Principal Payments and Interest Rate Detail by Contractual Maturity Dates

(U.S. DOLLARS IN MILLIONS)	2010	2011	2012	2013	2014	THEREAFTER	TOTAL	FAIR VALUE (ASSETS)/LIABILITIES
LIABILITIES								
Short-term borrowings								
Variable rate (U.S. dollars and other currencies)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Average interest rate								
Long-term debt								
Variable rate (U.S. dollars)	\$ —	\$ 75.0	\$ 100.0	\$ —	\$ —	\$ —	\$ 175.0	\$ 175.0
Average interest rate		1.37%	1.44%					1.41%
Fixed rate (U.S. dollars)	\$ —	\$ 400.0	\$ —	\$ —	\$ 650.0	\$ 450.0	\$ 1,500.0	\$ 1,611.7
Average interest rate		7.13%			7.01%	6.18%	6.79%	
INTEREST RATE DERIVATIVES								
Fixed to Variable Rate Interest								
Rate Swaps (U.S. dollars)	\$ —	\$ 100.0	\$ —	\$ —	\$ 200.0	\$ 25.0	\$ 325.0	\$ (26.6)
Average pay rate (a)		4.87%			4.64%	5.97%	4.81%	
Average receive rate								

- (a) The average pay rate for swaps in the notional principal amount of \$125.0 million is based upon 3-month forward LIBOR (with swaps in the notional principal amounts of \$100.0 million maturing in 2011 and \$25.0 million maturing thereafter). The average pay rate for the remaining swap is based upon 6-month forward LIBOR.

FOREIGN CURRENCY EXCHANGE RATE SENSITIVITY

As discussed previously, the Corporation is exposed to market risks arising from changes in foreign exchange rates. As of December 31, 2009, the Corporation has hedged a portion of its 2010 estimated foreign currency transactions using forward exchange contracts. The Corporation estimated the effect on 2010 gross profits, based upon a recent estimate of foreign exchange exposures, of a uniform 15% strengthening in the value of the United States dollar. The Corporation estimated that this would have the effects of reducing gross profits for 2010 by approximately \$42 million. The Corporation also estimated the effects on 2010 gross profits, based upon a recent estimate of foreign exchange exposures, of a uniform 15% weakening in the value of the United States dollar. A uniform 15% weakening in the value of the United States dollar would have the effect of increasing gross profits.

In addition to their direct effects, changes in exchange rates also affect sales volumes and foreign currency sales prices as competitors' products become more or less attractive. The sensitivity analysis of the effects of changes in foreign currency exchange rates previously described does not reflect a potential change in sales levels or local currency prices nor does it reflect higher exchange rates, as compared to those experienced during 2009, inherent in the foreign exchange hedging portfolio at December 31, 2009.

Critical Accounting Policies

The Corporation's accounting policies are more fully described in Note 1 of Notes to Consolidated Financial Statements. As disclosed in Note 1 of Notes to Consolidated Financial Statements, the preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

The Corporation believes that, of its significant accounting policies, the following may involve a higher degree of judgment, estimation, or complexity than other accounting policies. The discussions of the Corporation's critical accounting policies that follow relate to the Corporation on a stand-alone basis and are not reflective of the impact of the proposed merger with The Stanley Works.

As more fully described in Note 1 of Notes to Consolidated Financial Statements, the Corporation performs goodwill impairment tests on at least an annual basis and more frequently in certain circumstances. The Corporation cannot predict the occurrence of certain events that might adversely affect the reported value of goodwill that totaled \$1,230.0 million at December 31, 2009. Such events may include, but are not limited to, strategic decisions made in response to economic and competitive conditions, the impact of the economic environment on the Corporation's customer base, or a material negative change in its relationships with significant customers.

The Corporation assesses the fair value of its reporting units for its goodwill impairment tests based upon a discounted cash flow methodology. The identification of reporting units begins at the operating segment level – in the Corporation's case, the Power Tools

and Accessories segment, the Hardware and Home Improvement segment, and the Fastening and Assembly Systems segment – and considers whether operating

components one level below the segment level should be identified as reporting units for purposes of goodwill impairment tests if certain conditions exists. These conditions include, among other factors, (i) the extent to which an operating component represents a business (that is, the operating component contains all of the inputs and processes necessary for it to continue to conduct normal operations if transferred from the segment) and (ii) the disaggregation of economically dissimilar operating components within a segment. The Corporation has determined that its reporting units, for purposes of its goodwill impairment tests, represent its operating segments, except with respect to its Hardware and Home Improvement segment for which its reporting units are the plumbing products and security hardware businesses. Goodwill is allocated to each reporting unit at the time of a business acquisition and is adjusted upon finalization of the purchase price of an acquisition. The Corporation did not make any material change in the accounting methodology used to evaluate goodwill impairment during 2009.

The discounted cash flow methodology utilized by the Corporation in estimating the fair value of its reporting units for purposes of its goodwill impairment testing requires various judgmental assumptions about sales, operating margins, growth rates, discount rates, and working capital requirements. In determining those judgmental assumptions, the Corporation considers a variety of data, including – for each reporting unit – its annual budget for the upcoming year (which forms the basis of certain annual incentive targets for reporting unit management), its longer-term business plan, economic projections, anticipated future cash flows, and market data. Assumptions are also made for varying perpetual growth rates for periods beyond the longer-term business plan period. When estimating the fair value of its reporting units in the fourth quarter of 2009, the Corporation assumed operating margins in years 2010 and beyond in excess of the margins realized in 2009 based upon its belief that recovery from the global economic crisis will permit a return to more normalized sales levels and operating margins for its reporting units. The key assumptions used to estimate the fair value of the Corporation's reporting units at the time of its fourth quarter 2009 goodwill impairment test included: (i) an average sales growth assumption of approximately 3% per annum; (ii) annual operating margins ranging from approximately 8% to 15%; and (iii) a discount rate of 9.7%, which was determined based upon a market-based weighted average cost of capital.

The Corporation's goodwill impairment analysis is subject to uncertainties due to uncontrollable events, including the strategic decisions made in response to economic or competitive conditions, the general economic environment, or material changes in its relationships with significant customers that could positively or negatively impact anticipated future operating conditions and cash flows. In addition, the Corporation's goodwill impairment analysis is subject to uncertainties due to the current global economic crisis, including the severity of that crisis and the time period before which the global economy recovers.

If the carrying amounts of the Corporation's reporting units (including recorded goodwill) exceed their respective fair values, determined through the discounted cash flow methodology described above, goodwill impairment may be present. In such an instance, the Corporation would measure the goodwill impairment loss, if any, based upon the fair value of the underlying assets and liabilities of the impacted reporting unit, including any unrecognized intangible assets, and estimate the implied fair value of goodwill. An impairment loss would be recognized to the extent that a reporting unit's recorded goodwill exceeded the implied fair value of goodwill.

The Corporation could be required to evaluate the recoverability of goodwill prior to the next annual assessment if it experiences unexpected significant declines in operating results (including those associated with a more severe or prolonged global economic crisis or other business disruptions than currently assumed), a material negative change in its relationships with significant customers, or divestitures of significant components of the Corporation's businesses. However, based upon the Corporation's goodwill impairment analysis conducted in the fourth quarter of 2009, a hypothetical reduction in the fair value of its reporting units by a specified percentage, ranging from approximately 12% for one reporting unit to between approximately 30% to 70% for the Corporation's other reporting units, would not have resulted in a situation in which the carrying value of the respective reporting unit exceeded that reduced fair value.

Pension and other postretirement benefits costs and obligations are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, expected return on plan assets, rates of salary increase, health care cost trend rates, mortality rates, and other factors. These assumptions are updated on an annual basis prior to the beginning of each year. The Corporation considers current market conditions, including interest rates, in making these assumptions. The Corporation develops the discount rates by considering the yields available on high-quality fixed income investments with maturities corresponding to the related benefit obligation. The Corporation's discount rate for United States defined benefit pension plans was 5.75% and 6.75% at December 31, 2009 and 2008, respectively. As discussed further in Note 13 of Notes to Consolidated Financial Statements, the Corporation develops the expected return on plan assets by considering various factors, which include its targeted asset allocation percentages, historic returns, and expected future returns. The Corporation's expected long-term rate of return assumption for United States defined benefit plans for 2009 and 2010 was 8.25%.

The Corporation believes that the assumptions used are appropriate; however, differences in actual experience or changes in the assumptions may materially affect the Corporation's financial position or results of operations. In accordance with accounting principles generally accepted in the United States, actual results that differ from the actuarial assumptions are accumulated and, if in excess of a specified corridor, amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. The expected return on plan assets is determined using the expected rate of return and a calculated value of assets referred to as the market-related value of assets. The Corporation's aggregate market-related value of assets exceeded the fair value of plan assets by approximately \$210 million as of December 31, 2009. Differences between assumed and actual returns are amortized to the market-related value on a straight-line basis over a five-year period. Also, gains and losses resulting from changes in assumptions and from differences between assumptions and actual experience (except those differences being amortized to the market-related value of assets) are amortized over the expected remaining service period of active plan participants or, for retired participants, the average remaining life expectancy, to the extent that such amounts exceed ten percent of the greater of the market-related value of plan assets or the projected benefit obligation at the beginning of the year. The Corporation expects that its pension and other postretirement benefit costs in 2010 will increase over the 2009 level by approximately \$20 million.

As more fully described in Item 3 of this report, the Corporation is subject to various legal proceedings and claims, including those with respect to environmental matters, the outcomes of which are subject to significant uncertainty. The Corporation evaluates, among other factors, the degree of probability of an unfavorable outcome, the ability to make a reasonable estimate of the amount of loss, and in certain instances, the ability of other parties to share costs. Also, in accordance with accounting principles generally accepted in the United States, when a range of probable loss exists, the Corporation accrues at the low end of the range when no other more likely amount exists. Unanticipated events or changes in these factors may require the Corporation to increase the amount it has accrued for any matter or accrue for a matter that has not been previously accrued because it was not probable.

Further, as indicated in Note 21 of Notes to Consolidated Financial Statements, insurance recoveries for environmental and certain general liability claims have not been recognized until realized. Any insurance recoveries, if realized in future periods, could have a favorable impact on the Corporation's financial condition or results of operations in the periods realized.

Note 21 of Notes to Consolidation Financial Statements further discusses significant environmental matters which may affect the Corporation.

As more fully disclosed in Notes 1 and 12 of Notes to Consolidated Financial Statements, on January 1, 2007, the Corporation adopted a new accounting standard for uncertainty in income taxes. The Corporation considers many factors when evaluating and estimating income tax uncertainties. These factors include an evaluation of the technical merits of the tax position as well as the amounts and probabilities of the outcomes that could be realized upon ultimate settlement. The actual resolution of those uncertainties will inevitably differ from those estimates, and such differences may be material to the financial statements.

Impact of New Accounting Standards

As more fully disclosed in Notes 1 and 11 of Notes to Consolidated Financial Statements, effective January 1, 2008, the Corporation adopted a new accounting standard for measuring the fair value of financial assets and financial liabilities. The Corporation adopted the fair value measurement and disclosure requirements for non-financial assets and liabilities as of January 1, 2009. That adoption did not have a material impact on the Corporation's financial position or results of operations.

Effective January 1, 2009, the Corporation adopted a new accounting standard that requires enhanced disclosures about an entity's derivative and hedging activities, without a change to existing standards relative to measurement and recognition. That adoption did not have any effect on the Corporation's financial position or results of operations. The Corporation's disclosure about its derivative and hedging activities are included in Note 1 and 10 of Notes to Consolidated Financial Statements.

Effective January 1, 2009, the Corporation adopted a new accounting standard that clarifies whether instruments granted in share-based payment transactions should be included in the computation of earnings per share using the two-class method prior to vesting. See Note 15 of Notes to Consolidated Financial Statements for application of the two-class method to the Corporation's stock-based plans. The new accounting standard required that all prior-period earnings per share presented be adjusted retrospectively. Accordingly, basic earnings per share for the year ended December 31, 2008 and 2007, have been adjusted to \$4.83 and \$7.96, respectively, from \$4.91 and \$8.06, respectively. Diluted earnings per share for the year ended December 31, 2008 and 2007, have been adjusted to \$4.77 and \$7.78, respectively, from \$4.82 and \$7.85, respectively.

Effective December 31, 2009, the Corporation adopted a new accounting standard that provides enhanced disclosures about plan assets of a defined benefit pension and other postretirement plan including (i) investment policies and strategies, (ii) major categories of plan assets, (iii) the valuation techniques used to measure the fair value of plan assets, including the effect of significant unobservable inputs on changes in

plan assets, and (iv) significant concentrations within plan assets. The Corporation's disclosure about postretirement benefits is included in Note 13 of Notes to Consolidated Financial Statements.

Financial Condition

Introduction: The following summarizes the Corporation's cash flows for each of the three years ended December 31, 2009 (in millions of dollars).

	2009	2008	2007
Cash flow from operating activities	\$ 485.6	\$ 425.4	\$ 725.9
Cash flow from investing activities	96.5	(61.4)	(149.8)
Cash flow from financing activities	210.6	(317.0)	(568.2)
Effect of exchange rate changes on cash	12.7	(23.9)	13.5
Increase in cash and cash equivalents	\$ 805.4	\$ 23.1	\$ 21.4
Cash and cash equivalents at end of year	\$ 1,083.2	\$ 277.8	\$ 254.7

The Corporation's operating cash flows provide the primary source of funds to finance operating needs and capital expenditures. Operating cash flow is first used to fund capital expenditures and dividends to the Corporation's stockholders. Other significant uses of operating cash flow may include share repurchases, acquisitions of businesses, and debt reduction. As necessary, the Corporation supplements its operating cash flow with debt. The Corporation's operating cash flow is significantly impacted by its net earnings and working capital management.

The Corporation will continue to have cash requirements to support seasonal working capital needs, capital expenditures, and dividends to stockholders, to pay interest, and to service debt. At December 31, 2009, the Corporation had \$1,083.2 million of cash and cash equivalents. Most of the Corporation's cash is held by its subsidiaries. The Corporation's overall cash position reflects its business results and a global cash management strategy that takes into account liquidity management, economic factors, the statutes, regulations and practices in jurisdictions where the Corporation has operations, and tax considerations. At December 31, 2009, the Corporation had approximately \$1.0 billion of borrowings available under its \$1.0 billion unsecured revolving credit facility that expires in December 2012. If necessary, that facility serves as a backstop to the Corporation's uncommitted commercial paper borrowings. In order to meet its cash requirements, the Corporation intends to use its existing cash, cash equivalents, and internally generated funds, and to borrow under its commercial paper program, existing unsecured revolving credit facility or under short-term borrowing facilities. The Corporation believes that – absent events or payments which would only be triggered upon consummation of the proposed merger with The Stanley Works – cash provided from these sources will be adequate to meet its cash requirements over the next 12 months.

Cash inflows and outflows related to the Corporation's currency hedging activities are classified in the cash flow statement under operating activities or investing activities based upon the nature of the hedge. Cash flows related to hedges of the Corporation's foreign currency denominated assets, liabilities, and forecasted transactions are classified as operating activities, and cash flows related to hedges of the Corporation's net investment in foreign subsidiaries are classified as investing activities. Due to the rapid strengthening of the U.S. dollar in late 2008, the Corporation experienced much larger gains and losses on these hedges in 2009 than in 2008 or 2007. The cash outflows associated with currency hedges whose cash flows are classified within operating activities reduced cash flows from operating activities by approximately \$30 million over the 2008 level to approximately \$95 million for the year ended December 31, 2009. However, that \$30 million reduction was more than offset by an increase of approximately \$115 million over the 2008 level in net cash inflows associated with hedges of the Corporation's net investment in foreign subsidiaries, which are classified within cash flows from investing activities, to \$157.8 million for the year ended December 31, 2009.

Net cash generation, defined by the Corporation as cash flow from operating activities less capital expenditures, plus proceeds from the sale of assets and cash flow from net investment hedging activities, increased to \$583.5 million in 2009 from \$389.7 million in 2008 as higher cash provided from operating activities was augmented by an increase of \$115.1 million in net cash inflow from net investment hedging activities. The computation of net cash generation for the years ended December 31, 2009 and 2008, follows (in millions of dollars):

	2009	2008
Cash flow from operating activities	\$ 485.6	\$ 425.4
Capital expenditures	(63.1)	(98.8)
Proceeds from disposals of assets	3.2	20.4
Free cash flow	425.7	347.0
Cash inflow from net investment hedging activities	196.0	72.4
Cash outflow from net investment hedging activities	(38.2)	(29.7)
Net cash generation	\$ 583.5	\$ 389.7

Cash Flow from Operating Activities: Operating activities provided cash of \$485.6 million for the year ended December 31, 2009, as compared to \$425.4 million for the year ended December 31, 2008. The increase in cash provided by operating activities in 2009 was primarily due to higher cash provided by working capital partially offset by lower net earnings as well as an increase in cash outflows

associated with foreign currency hedges. The higher level of cash generated from working capital in 2009, as compared to 2008, was primarily due to lower inventory levels.

As part of its capital management, the Corporation reviews certain working capital metrics. For example, the Corporation evaluates its trade receivables and

inventory levels through the computation of days sales outstanding and inventory turnover ratio, respectively. The number of days sales outstanding as of December 31, 2009, decreased from the level as of December 31, 2008. Average inventory turns as of December 31, 2009, improved slightly, as compared to the inventory turns as of December 31, 2008.

The Corporation sponsors pension and postretirement benefit plans. The Corporation's cash funding of these plans was approximately \$31 million, \$36 million, and \$34 million for the years ended December 31, 2009, 2008, and 2007, respectively. Cash contribution requirements for these plans are either based upon the applicable regulation for each country (principally the U.S. and United Kingdom) or are funded on a pay-as-you-go basis. The Corporation expects that its cash funding of its pension and postretirement benefit plans will approximate \$75 million to \$80 million in 2010. The increase in cash funding is principally attributable to the Corporation's qualified pension plans in the U.S. Cash contributions for the Corporation's qualified pension plans in the U.S. are governed by the Pension Protection Act of 2006 (PPA). Contribution requirements under the PPA are generally based upon the funded status of the plan (determined by comparing plan assets to the actuarially determined plan obligations). These contribution requirements could also continue or increase in years subsequent to 2010 unless there is an improvement in the funded status of the Corporation's qualified pension plans.

Cash Flow from Investing Activities: Investing activities provided cash of \$96.5 million for the year ended December 31, 2009, as compared to a use of cash of \$61.4 million for the year ended December 31, 2008. Hedging activities – associated with the Corporation's net investment hedging activities – resulted in a net cash inflow of \$157.8 million in 2009, as compared to a net cash inflow of \$42.7 million in 2008, due to the effects of the strengthening U.S. dollar during 2009 and 2008. Capital expenditures decreased by \$35.7 million from the 2008 level to \$63.1 million in 2009. The Corporation anticipates that its capital spending in 2010 will approximate \$90 million. Cash used by investing activities in 2008 included the purchase of Spiralock for \$24.1 million, net of cash acquired. The ongoing costs of compliance with existing environmental laws and regulations have not had, and are not expected to have, a material adverse effect on the Corporation's capital expenditures or financial position.

Cash Flow from Financing Activities: Financing activities provided cash of \$210.6 million for the year ended December 31, 2009, as compared to a use of cash of \$317.0 million for the year ended December 31, 2008. In April 2009, the Corporation issued \$350.0 million of 8.95% senior notes due 2014. The Corporation utilized the proceeds of \$343.1 million (net of issuance costs of \$2.7 million and debt discount) from the issuance of those senior notes to repay short-term borrowings that were outstanding at the time. Sources of cash from financing activities in 2009 also included \$62.6 million of proceeds received upon the issuance of common stock, including certain related income tax benefits, under stock-based compensation plans. Cash used for financing activities in 2009 included a net decrease in short-term borrowings of \$84.3 million, payments on long-term debt of \$50.1 million, and dividend payments of \$47.3 million. Cash used to pay dividends was \$47.3 million for 2009, as compared to \$101.8 million in 2008, a decrease of \$54.5 million. Dividend payments, on a per share basis, for the year ended December 31, 2009 were \$.78, as compared to \$1.68 in 2008. In April 2009, the Corporation announced that its Board of Directors declared a quarterly cash dividend of \$.12 per share on the Corporation's outstanding stock payable during the second quarter of 2009, a 71% decrease from the \$.42 quarterly dividend paid by the Corporation since the first quarter of 2007. Future dividends will depend on the Corporation's earnings, financial condition, and other factors. Under the terms of the definitive merger agreement to create Stanley Black & Decker, absent the consent of The Stanley Works, the Corporation has agreed to limit its regular quarterly cash dividend to \$.12 per share. During the year ended December 31, 2009, the Corporation purchased 247,198 shares of its common stock from employees to satisfy withholding tax requirements upon the vesting of restricted stock at an aggregate cost of \$13.4 million.

Sources of cash from financing activities for 2008, primarily included proceeds from long-term debt of \$224.7 million (net of issuance costs of \$.3 million). Cash used for financing activities for 2008, included a net decrease in short-term borrowings of \$246.0 million and dividend payments of \$101.8 million. During the year ended December 31, 2008, the Corporation purchased 3,136,644 shares of its common stock at an aggregate cost of \$202.3 million.

At December 31, 2009, the Corporation has remaining authorization from its Board of Directors to repurchase an additional 3,777,145 shares of its common stock. Under the terms of the definitive merger agreement to create Stanley Black & Decker, absent the consent of The Stanley Works, the Corporation has agreed not to repurchase any shares of its common stock pending consummation of the merger.

Credit Rating: The Corporation's credit ratings are reviewed periodically by major debt rating agencies including Moody's Investors Service, Standard & Poor's, and Fitch Ratings. The Corporation's credit ratings and outlook from each of the credit rating agencies as of December 31, 2009, follow:

	LONG-TERM DEBT	SHORT-TERM DEBT	OUTLOOK
Moody's Investors Service	Baa3	P3	Upgrade
Standard & Poor's	BBB	A3	Upgrade
Fitch Ratings	BBB	F2	Upgrade

The credit rating agencies consider many factors when assigning their ratings, such as the global economic environment and their possible impact on the Corporation's financial performance, including certain financial metrics utilized by the credit rating agencies in determining the Corporation's credit rating. Accordingly, it is possible that the credit rating agencies could reduce the Corporation's credit ratings from their current level. This could significantly influence the interest rate of any of the Corporation's future financing.

The Corporation's ability to maintain its commercial paper program is principally a function of its short-term debt credit rating. As a result of the reduction in the Corporation's short-term credit ratings that occurred during the first quarter of 2009, the Corporation's ability to access commercial paper borrowings has been substantially reduced. As a result, the Corporation has utilized its \$1.0 billion unsecured credit facility during 2009. No amounts were outstanding under this credit facility as of December 31, 2009. Borrowings under this credit facility are at interest rates that may vary based upon the rating of its long-term debt. The Corporation's current borrowing rates under its credit facility may be set at either Citibank's prime rate or at LIBOR plus .30%. The spread above LIBOR could increase by a maximum amount of .30% based upon reductions in the Corporation's credit rating. The Corporation expects to utilize borrowings under its commercial paper program and \$1.0 billion unsecured credit facility to fund its short-term borrowing requirements.

Contractual Obligations: The following table provides a summary of the Corporation's contractual obligations by due date (in millions of dollars). The Corporation's short-term borrowings, long-term debt, and lease commitments are more fully described in Notes 8, 9, and 18 of Notes to Consolidated Financial Statements.

	PAYMENTS DUE BY PERIOD				
	LESS THAN 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	AFTER 5 YEARS	TOTAL
Short-term borrowings (a) (b) (c)	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt (c)	104.4	736.8	772.2	625.1	2,238.5
Operating leases	65.6	83.6	34.6	12.1	195.9
Purchase obligations (d)	319.1	3.5	.5	.2	323.3
Total contractual cash obligations (e) (f)	\$ 489.1	\$ 823.9	\$ 807.3	\$ 637.4	\$ 2,757.7

- (a) As more fully described in Note 8 of Notes to Consolidated Financial Statements, the Corporation has a \$1.0 billion commercial paper program as well as a supporting \$1.0 billion credit facility that matures in December 2012. At December 31, 2009, there were no amounts outstanding under the commercial paper program or other short-term borrowing arrangements. The Corporation's average borrowing outstanding under these facilities during 2009 was \$167.0 million.
- (b) As described in Note 8 of Notes to Consolidated Financial Statements, the Corporation has uncommitted lines of credit of approximately \$250 million at December 31, 2009. These uncommitted lines of credit do not have termination dates and are reviewed periodically.
- (c) Payments due by period include contractually required interest payments. Contractually required interest payments on variable rate long-term debt presented is based upon variable borrowing rates at December 31, 2009.
- (d) The Corporation enters into contractual arrangements that result in its obligation to make future payments, including purchase obligations. The Corporation enters into these arrangements in the ordinary course of business in order to ensure adequate levels of inventories, machinery and equipment, or services. Purchase obligations primarily consist of inventory purchase commitments, including raw materials, components, and sourced products, and arrangements for other services.
- (e) The Corporation anticipates that funding of its pension and postretirement benefit plans in 2010 will approximate \$75 million to \$80 million. That amount principally represents contributions either required by regulations or laws or, with respect to unfunded plans, necessary to fund current benefits. The Corporation has not presented estimated pension and postretirement funding in the table above as the funding can vary from year to year based upon changes in the fair value of the plan assets and actuarial assumptions.
- (f) As more fully disclosed in Note 12 of Notes to the Consolidated Financial Statements, at December 31, 2009, the Corporation has recognized \$291.8 million of liabilities for unrecognized tax benefits of which \$31.5 million related to interest. The final outcome of these tax uncertainties is dependent upon various matters including tax examinations, legal proceedings, competent authority proceedings, changes in regulatory tax laws, or interpretation of those tax laws, or expiration of statutes of limitation. However, based on the number of jurisdictions, the uncertainties associated with litigation, and the status of examinations, including the protocols of finalizing audits by the relevant tax authorities, which could include formal legal proceedings, there is a high degree of uncertainty regarding the future cash outflows associated with these tax uncertainties. As of December 31, 2009, the Corporation classified \$48.0 million of its liabilities for unrecognized tax benefits as a current liability. While the Corporation cannot reasonably predict the timing of the cash flows, if any, associated with its liabilities for unrecognized tax benefits, it believes that such cash flows would principally occur within the next five years.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required under this Item is contained in Item 7 of this report under the caption “Hedging Activities” and in Item 8 of this report in Notes 1 and 10 of Notes to Consolidated Financial Statements, and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements of the Corporation and its subsidiaries are included herein as indicated below:

Consolidated Financial Statements

Consolidated Statement of Earnings
– years ended December 31, 2009, 2008,
and 2007.

Consolidated Balance Sheet
– December 31, 2009 and 2008.

Consolidated Statement of Stockholders’ Equity
– years ended December 31, 2009, 2008,
and 2007.

Consolidated Statement of Cash Flows
– years ended December 31, 2009, 2008,
and 2007.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public
Accounting Firm on Consolidated
Financial Statements.

CONSOLIDATED STATEMENT OF EARNINGS
THE BLACK & DECKER CORPORATION AND SUBSIDIARIES
(DOLLARS IN MILLIONS EXCEPT PER SHARE DATA)

YEAR ENDED DECEMBER 31,	2009	2008	2007
SALES	\$ 4,775.1	\$ 6,086.1	\$ 6,563.2
Cost of goods sold	3,188.6	4,087.7	4,336.2
Selling, general, and administrative expenses	1,266.4	1,521.6	1,625.8
Merger-related expenses	58.8	—	—
Restructuring and exit costs	11.9	54.7	19.0
OPERATING INCOME	249.4	422.1	582.2
Interest expense (net of interest income of \$7.9 for 2009, \$38.4 for 2008, and \$19.8 for 2007)	83.8	62.4	82.3
Other (income) expense	(4.8)	(5.0)	2.3
EARNINGS BEFORE INCOME TAXES	170.4	364.7	497.6
Income taxes (benefit)	37.9	71.1	(20.5)
NET EARNINGS	\$ 132.5	\$ 293.6	\$ 518.1
NET EARNINGS PER COMMON SHARE – BASIC	\$ 2.18	\$ 4.83	\$ 7.96
NET EARNINGS PER COMMON SHARE – ASSUMING DILUTION	\$ 2.17	\$ 4.77	\$ 7.78

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET
THE BLACK & DECKER CORPORATION AND SUBSIDIARIES
(MILLIONS OF DOLLARS)

DECEMBER 31,	2009	2008
ASSETS		
Cash and cash equivalents	\$ 1,083.2	\$ 277.8
Trade receivables, less allowances of \$45.8 for 2009 and \$39.1 for 2008	832.8	924.6
Inventories	777.1	1,024.2
Other current assets	308.8	377.0
TOTAL CURRENT ASSETS	3,001.9	2,603.6
PROPERTY, PLANT, AND EQUIPMENT	473.4	527.9
GOODWILL	1,230.0	1,223.2
OTHER ASSETS	789.9	828.6
	\$ 5,495.2	\$ 5,183.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term borrowings	\$ —	\$ 83.3
Current maturities of long-term debt	—	.1
Trade accounts payable	403.2	453.1
Other current liabilities	792.7	947.4
TOTAL CURRENT LIABILITIES	1,195.9	1,483.9
LONG-TERM DEBT	1,715.0	1,444.7
POSTRESTIREMENT BENEFITS	760.4	669.4
OTHER LONG-TERM LIABILITIES	524.8	460.5
STOCKHOLDERS' EQUITY		
Common stock (outstanding: December 31, 2009 – 61,645,196 shares; December 31, 2008 – 60,092,726 shares)	30.8	30.0
Capital in excess of par value	119.1	14.3
Retained earnings	1,622.0	1,536.8
Accumulated other comprehensive income (loss)	(472.8)	(456.3)
TOTAL STOCKHOLDERS' EQUITY	1,299.1	1,124.8
	\$ 5,495.2	\$ 5,183.3

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
THE BLACK & DECKER CORPORATION AND SUBSIDIARIES
(DOLLARS IN MILLIONS EXCEPT PER SHARE DATA)

	OUTSTANDING COMMON SHARES	PAR VALUE	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL STOCKHOLDERS' EQUITY
BALANCE AT DECEMBER 31, 2006	66,734,843	\$ 33.4	\$ —	\$ 1,473.0	\$ (342.8)	\$ 1,163.6
Comprehensive income (loss):						
Net earnings	—	—	—	518.1	—	518.1
Net loss on derivative instruments (net of tax)	—	—	—	—	(25.4)	(25.4)
Minimum pension liability adjustment (net of tax)	—	—	—	—	161.0	161.0
Foreign currency translation adjustments, less effect of hedging activities (net of tax)	—	—	—	—	83.2	83.2
Amortization of actuarial losses and prior service cost (net of tax)	—	—	—	—	25.7	25.7
Comprehensive income	—	—	—	518.1	244.5	762.6
Cumulative effect of adopting the new accounting standard relating to uncertain tax positions	—	—	—	(7.3)	—	(7.3)
Cash dividends on common stock (\$1.68 per share)	—	—	—	(108.6)	—	(108.6)
Common stock issued under stock-based plans (net of forfeitures)	1,666,123	.8	109.0	—	—	109.8
Purchase and retirement of common stock	(5,477,243)	(2.7)	(82.0)	(376.7)	—	(461.4)
BALANCE AT DECEMBER 31, 2007	62,923,723	31.5	27.0	1,498.5	(98.3)	1,458.7
Comprehensive income (loss):						
Net earnings	—	—	—	293.6	—	293.6
Net gain on derivative instruments (net of tax)	—	—	—	—	83.5	83.5
Minimum pension liability adjustment (net of tax)	—	—	—	—	(284.2)	(284.2)
Foreign currency translation adjustments, less effect of hedging activities (net of tax)	—	—	—	—	(172.1)	(172.1)
Amortization of actuarial losses and prior service cost (net of tax)	—	—	—	—	14.8	14.8
Comprehensive income (loss)	—	—	—	293.6	(358.0)	(64.4)
Adoption of new accounting standard requiring a year-end measurement date for defined benefit pension and other postretirement benefit plans (net of tax)	—	—	—	(5.1)	—	(5.1)
Cash dividends on common stock (\$1.68 per share)	—	—	—	(101.8)	—	(101.8)
Common stock issued under stock-based plans (net of	305,647	.1	39.6	—	—	39.7

forfeitures)						
Purchase and retirement of common stock	(3,136,644)	(1.6)	(52.3)	(148.4)	—	(202.3)
BALANCE AT DECEMBER 31, 2008	60,092,726	30.0	14.3	1,536.8	(456.3)	1,124.8
Comprehensive income (loss):						
Net earnings	—	—	—	132.5	—	132.5
Net loss on derivative instruments (net of tax)	—	—	—	—	(53.4)	(53.4)
Minimum pension liability adjustment (net of tax)	—	—	—	—	(66.8)	(66.8)
Foreign currency translation adjustments, less effect of hedging activities (net of tax)	—	—	—	—	88.4	88.4
Amortization of actuarial losses and prior service cost (net of tax)	—	—	—	—	15.3	15.3
Comprehensive income (loss)	—	—	—	132.5	(16.5)	116.0
Cash dividends on common stock (\$.78 per share)	—	—	—	(47.3)	—	(47.3)
Common stock issued under stock-based plans (net of forfeitures)	1,799,668	.9	118.1	—	—	119.0
Purchase and retirement of common stock	(247,198)	(.1)	(13.3)	—	—	(13.4)
BALANCE AT DECEMBER 31, 2009	61,645,196	\$ 30.8	\$ 119.1	\$ 1,622.0	\$ (472.8)	\$ 1,299.1

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS
THE BLACK & DECKER CORPORATION AND SUBSIDIARIES
(MILLIONS OF DOLLARS)

YEAR ENDED DECEMBER 31,	2009	2008	2007
OPERATING ACTIVITIES			
Net earnings	\$ 132.5	\$ 293.6	\$ 518.1
Adjustments to reconcile net earnings to cash flow from operating activities:			
Non-cash charges and credits:			
Depreciation and amortization	128.0	136.6	143.4
Stock-based compensation	69.8	29.1	25.9
Amortization of actuarial losses and prior service costs	15.3	14.8	25.7
Settlement of income tax litigation	—	—	(153.4)
Restructuring and exit costs	11.9	54.7	19.0
Other	(7.5)	.3	.5
Changes in selected working capital items (net of effects of businesses acquired):			
Trade receivables	127.2	132.5	99.4
Inventories	273.3	67.9	(32.0)
Trade accounts payable	(53.1)	(47.9)	32.6
Other current liabilities	(102.2)	(141.8)	33.3
Restructuring spending	(39.8)	(25.3)	(1.0)
Other assets and liabilities	(69.8)	(89.1)	14.4
CASH FLOW FROM OPERATING ACTIVITIES	485.6	425.4	725.9
INVESTING ACTIVITIES			
Capital expenditures	(63.1)	(98.8)	(116.4)
Proceeds from disposal of assets	3.2	20.4	13.0
Purchase of businesses, net of cash acquired	—	(25.7)	—
Cash outflow associated with purchase of previously acquired business	(1.4)	—	—
Cash inflow from hedging activities	196.0	72.4	2.0
Cash outflow from hedging activities	(38.2)	(29.7)	(47.4)
Other investing activities, net	—	—	(1.0)
CASH FLOW FROM INVESTING ACTIVITIES	96.5	(61.4)	(149.8)
FINANCING ACTIVITIES			
Net (decrease) increase in short-term borrowings	(84.3)	(246.0)	68.8
Proceeds from issuance of long-term debt (net of debt issue costs of \$2.7 for 2009 and \$.3 for 2008)	343.1	224.7	—
Payments on long-term debt	(50.1)	(.2)	(150.3)
Purchase of common stock	(13.4)	(202.3)	(461.4)
Issuance of common stock	62.6	8.6	83.3
Cash dividends	(47.3)	(101.8)	(108.6)
CASH FLOW FROM FINANCING ACTIVITIES	210.6	(317.0)	(568.2)
Effect of exchange rate changes on cash	12.7	(23.9)	13.5
INCREASE IN CASH AND CASH EQUIVALENTS	805.4	23.1	21.4
Cash and cash equivalents at beginning of year	277.8	254.7	233.3
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,083.2	\$ 277.8	\$ 254.7

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE BLACK & DECKER CORPORATION AND SUBSIDIARIES

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The Consolidated Financial Statements include the accounts of the Corporation and its subsidiaries. Intercompany transactions have been eliminated.

Reclassifications: Certain prior years' amounts in the Consolidated Financial Statements have been reclassified to conform to the presentation used in 2009.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

Revenue Recognition: Revenue from sales of products is recognized when title passes, which occurs either upon shipment or upon delivery based upon contractual terms. The Corporation recognizes customer program costs, including customer incentives such as volume or trade discounts, cooperative advertising and other sales related discounts, as a reduction to sales.

Foreign Currency Translation: The financial statements of subsidiaries located outside of the United States, except those subsidiaries operating in highly inflationary economies, generally are measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date. The resultant translation adjustments are included in accumulated other comprehensive income (loss), a separate component of stockholders' equity. Income and expense items are translated at average monthly rates of exchange. Gains and losses from foreign currency transactions of these subsidiaries are included in net earnings. For subsidiaries operating in highly inflationary economies, gains and losses from balance sheet translation adjustments are included in net earnings.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition.

Concentration of Credit: The Corporation sells products to customers in diversified industries and geographic regions and, therefore, has no significant concentrations of credit risk other than with two major customers. As of December 31, 2009, approximately 27% of the Corporation's trade receivables were due from two large home improvement retailers.

The Corporation continuously evaluates the credit-worthiness of its customers and generally does not require collateral.

Inventories: Inventories are stated at the lower of cost or market. The cost of United States inventories is based primarily on the last-in, first-out (LIFO) method; all other inventories are based on the first-in, first-out (FIFO) method.

Property and Depreciation: Property, plant, and equipment is stated at cost. Depreciation is computed generally on the straight-line method. Estimated useful lives range from 10 years to 50 years for buildings and 3 years to 15 years for machinery and equipment. The Corporation capitalizes improvements that extend the useful life of an asset. Repair and maintenance costs are expensed as incurred.

Goodwill and Other Intangible Assets: Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to an impairment test on an annual basis, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Other intangible assets are amortized over their estimated useful lives.

The Corporation assesses the fair value of its reporting units for its goodwill impairment tests based upon a discounted cash flow methodology. The identification of reporting units begins at the operating segment level – in the Corporation's case, the Power Tools and Accessories segment, the Hardware and Home Improvement segment, and the Fastening and Assembly Systems segment – and considers whether operating components one level below the segment level should be identified as reporting units for purposes of goodwill impairment tests if certain conditions exist. The conditions include, among other factors, (i) the extent to which an operating component represents a business (that is, the operating component contains all of the inputs and processes necessary for it to continue to conduct normal operations if transferred from the segment) and (ii) the disaggregation of economically dissimilar operating components within a segment. The Corporation has determined that its reporting units, for purposes of its goodwill impairment tests, represent its operating segments, except with respect to its Hardware and Home Improvement segment for which its reporting units are the plumbing products and security hardware businesses. Goodwill is allocated to each reporting unit at the time of a business acquisition and is adjusted upon finalization of the purchase price of an acquisition.

The discounted cash flow methodology utilized by the Corporation to assess the fair value of its reporting units for its goodwill impairment tests is based upon estimated future cash flows – which are based upon historical results and current projections – and are

discounted at a rate corresponding to a market rate. If the carrying amount of the reporting unit exceeds the estimated fair value determined through that discounted cash flow methodology, goodwill impairment may be present. The Corporation would measure the goodwill impairment loss based upon the fair value of the reporting unit, including any unrecognized intangible assets, and estimate the implied fair value of goodwill. An impairment loss would be recognized to the extent that a reporting unit's recorded goodwill exceeded the implied fair value of goodwill.

The Corporation performed its annual impairment test in the fourth quarters of 2009, 2008, and 2007. No impairment was present upon performing these impairment tests. The Corporation cannot predict the occurrence of certain events that might adversely affect the reported value of goodwill. Such events may include, but are not limited to, strategic decisions made in response to economic and competitive conditions, the impact of the economic environment on the Corporation's customer base, or a material negative change in its relationships with significant customers.

Product Development Costs: Costs associated with the development of new products and changes to existing products are charged to operations as incurred. Product development costs were \$127.8 million in 2009, \$146.0 million in 2008, and \$150.9 million in 2007.

Shipping and Handling Costs: Shipping and handling costs represent costs associated with shipping products to customers and handling finished goods. Included in selling, general, and administrative expenses are shipping and handling costs of \$240.0 million in 2009, \$315.1 million in 2008, and \$340.6 million in 2007. Freight charged to customers is recorded as revenue.

Advertising and Promotion: Advertising and promotion expense, which is expensed as incurred, was \$114.9 million in 2009, \$162.6 million in 2008, and \$199.2 million in 2007.

Product Warranties: Most of the Corporation's products in the Power Tools and Accessories segment and Hardware and Home Improvement segment carry a product warranty. That product warranty, in the United States, generally provides that customers can return a defective product during the specified warranty period following purchase in exchange for a replacement product or repair at no cost to the consumer. Product warranty arrangements outside the United States vary depending upon local market conditions and laws and regulations. The Corporation accrues an estimate of its exposure to warranty claims based upon both current and historical product sales data and warranty costs incurred.

Stock-Based Compensation: The Corporation recognizes stock-based compensation expense – the cost of employee services in exchange for awards of equity instruments – based on the grant-date fair value of those awards. Stock-based compensation expense is recognized on a straight-line basis over the requisite service period of the award, which is generally the vesting period. Stock-based compensation expense is reflected in the Consolidated Statement of Earnings in selling, general, and administrative expenses. The fair value of stock options is determined using the Black-Scholes option valuation model, which incorporates assumptions surrounding expected volatility, dividend yield, the risk-free interest rate, expected option life, and the exercise price compared to the stock price on the grant date. The volatility assumptions utilized in determining the fair value of stock options granted after 2005, are based upon the average of historical and implied volatility. The volatility assumptions utilized in determining the fair value of stock options granted before 2005, are based upon historical volatility. The Corporation determined the estimated expected life of options based on a weighted average of the average period of time from grant date to exercise date, the average period of time from grant date to cancellation date after vesting, and the mid-point of time to expiration for outstanding vested options. The Corporation determines the fair value of the Corporation's restricted stock and restricted stock units based on the fair value of its common stock at the date of grant.

Cash flows resulting from the tax benefits of tax deductions in excess of the compensation cost recognized for share-based arrangements are classified as financing cash flows.

Postretirement Benefits: Pension plans, which cover substantially all of the Corporation's employees in North America (if hired before 2007), the United Kingdom (if hired before 2005), and Europe consist primarily of non-contributory defined benefit plans. The defined benefit plans are funded in conformity with the funding requirements of applicable government regulations. Generally, benefits are based on age, years of service, and the level of compensation during the final years of employment. Prior service costs for defined benefit plans generally are amortized over the estimated remaining service periods of employees.

Certain employees are covered by defined contribution plans. The Corporation's contributions to these plans are generally based on a percentage of employee compensation or employee contributions. These plans are funded on a current basis.

In addition to pension benefits, certain postretirement medical, dental, and life insurance benefits are provided to most United States retirees who retired before 1994. Most current United States employees (if hired before 2005) are eligible for postretirement medical and dental benefits from their date of retirement to age 65. The postretirement medical benefits are contributory and include certain cost-sharing features, such as deductibles and co-payments. Retirees in other countries generally are covered by government-sponsored programs.

The Corporation recognizes the overfunded or underfunded status of its defined benefit postretirement plans as an asset or a liability in the balance sheet, with changes in the funded status recorded through comprehensive income in the year in which those changes occur.

Effective December 31, 2008, the Corporation adopted a new accounting standard that requires the funded status be measured as of an entity's year-end balance sheet date rather than as of an earlier date as previously permitted. Prior to December 31, 2008, the Corporation used a measurement date of September 30 for the majority of its defined benefit pension and postretirement plans. Effective December 31, 2008, the Corporation uses a measurement date of December 31 for its defined benefit pension and postretirement plans. The adoption of the year-end measurement date requirement of as of December 31, 2008, resulted in a charge to retained earnings of \$5.1 million, an increase in deferred tax assets of \$.7 million, an increase in pension assets of \$.6 million, an increase in pension liabilities of \$3.2 million, and an increase in accumulated other comprehensive income of \$3.2 million.

The expected return on plan assets is determined using the expected rate of return and a calculated value of plan assets referred to as the market-related value of plan assets. Differences between assumed and actual returns are amortized to the market-related value of assets on a straight-line basis over five years.

The Corporation uses the corridor approach in the valuation of defined benefit plans and other postretirement benefits. The corridor approach defers all actuarial gains and losses resulting from variances between actual results and economic estimates or actuarial assumptions. For defined benefit pension plans, these unrecognized gains and losses are amortized when the net gains and losses exceed 10% of the greater of the market-related value of plan assets or the projected benefit obligation at the beginning of the year. For other postretirement benefits, amortization occurs when the net gains and losses exceed 10% of the accumulated postretirement benefit obligation at the beginning of the year. The amount in excess of the corridor is amortized over the average remaining service period to retirement date of active plan participants or, for retired participants, the average remaining life expectancy.

Environmental Liabilities: The Corporation accrues for its environmental remediation costs, including costs of required investigation, remedial activities, and post-remediation operating and maintenance, when it is probable that a liability has been incurred and the amount can be reasonably estimated. For matters associated with properties currently operated by the Corporation, the Corporation makes an assessment as to whether an investigation and remediation would be required under applicable federal and state laws. For matters associated with properties previously sold or operated by the Corporation, the Corporation considers any applicable terms of sale and applicable federal and state laws to determine if it has any remaining liability. For environmental remediation matters, the most likely cost to be incurred is accrued based on an evaluation of currently available facts with respect to each individual site, including current laws and regulations, remedial activities under consideration, and prior remediation experience. Where no amount within a range of estimates is considered by the Corporation as more likely to occur than another, the minimum amount is accrued. In establishing an accrual for environmental remediation costs at sites with multiple potentially responsible parties, the Corporation considers its likely proportionate share of the anticipated remediation costs and the ability of other parties to fulfill their obligations. Environmental liabilities are not discounted. When future liabilities are determined to be reimbursable by insurance coverage, a receivable is recorded related to the insurance reimbursement when reimbursement is virtually certain. As more fully disclosed in Note 21, the uncertain nature inherent in estimating the costs of such environmental remediation and the possibility that current estimates may not reflect the final outcome could result in the recognition of additional expenses in future periods.

Derivative Financial Instruments: The Corporation is exposed to certain market risks arising from its business operations. With products and services marketed in over 100 countries and with manufacturing sites in 12 countries, the Corporation is exposed to risks arising from changes in foreign currency rates. Also, the materials used in the manufacturing of the Corporation's products, which include certain components and raw materials, are subject to price volatility. These component parts and raw materials are principally subject to market risk associated with changes in the price of nickel, steel, resins, copper, aluminum, and zinc. The Corporation is also exposed to market risks associated with changes in interest rates. The primary risks managed by derivative instruments are foreign currency exchange risk, commodity price risk, and interest rate risk. The Corporation also manages each of these risks using methods other than derivative instruments. The Corporation does not utilize derivatives that contain leverage features.

Derivative instruments are recognized as either assets or liabilities in the Consolidated Balance Sheet at fair value. On the date on which the Corporation enters into a derivative, the derivative is generally designated as a hedge of the identified exposure. The Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. In this documentation, the Corporation specifically identifies the asset, liability, firm commitment, forecasted transaction, or net investment that has been designated as the hedged item and states how the hedging instrument is expected to reduce the risks related to the hedged item. The Corporation measures effectiveness

of its hedging relationships both at hedge inception and on an ongoing basis. The Corporation enters into certain derivatives that are not designated as a hedge of the identified exposures; however, these derivatives are believed to be hedges of the underlying economic exposure.

Cash Flow Hedging Strategy. For each derivative instrument that is designated and qualifies as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change. For hedged forecasted transactions, hedge accounting is discontinued if the forecasted transaction is no longer probable of occurring, in which case previously deferred hedging gains or losses would be recorded to earnings immediately.

The fair value of foreign currency-related derivatives are generally included in the Consolidated Balance Sheet in other current assets, other assets, other current liabilities, and other long-term liabilities. The earnings impact of cash flow hedges relating to forecasted purchases of inventory is reported in cost of goods sold to match the underlying transaction being hedged.

The earnings impact of cash flow hedges relating to the variability in cash flows associated with foreign currency-denominated assets and liabilities is reported in cost of goods sold, selling, general, and administrative expenses, or other expense (income), depending on the nature of the assets or liabilities being hedged. The amounts deferred in accumulated other comprehensive income (loss) associated with these instruments generally relate to foreign currency spot-rate to forward-rate differentials and are recognized in earnings over the term of the hedge. The discount or premium relating to cash flow hedges associated with foreign currency-denominated assets and liabilities is recognized in net interest expense over the life of the hedge.

Forward contracts on various foreign currencies are entered into to manage the foreign currency exchange risk associated with forecasted sale or purchase of product manufactured in a currency different than that of the selling subsidiary. The objective of the hedges is to reduce the variability of cash flows associated with the receipt or payment of those foreign currency risks. When the functional currency of the selling subsidiary weakens against the exposed currency, the increase in the present value of the future foreign currency cash flow associated with the purchase of product is offset by gains in the fair value of the forward contract designated as hedged. Conversely, when the functional currency of the selling subsidiary strengthens against the exposed currency, the decrease in the present value of the future foreign currency cash flow associated with the purchase of product is offset by losses in the fair value of the forward contract designated as hedged. The Corporation may also manage this foreign currency exchange risk through the use of options. No options to buy or sell currencies were outstanding at December 31, 2009.

The following table summarizes the contractual amounts of forward exchange contracts as of December 31, 2009 and 2008, in millions of dollars, which were entered into to hedge forecasted purchases, including details by major currency as of December 31, 2009. Foreign currency amounts were translated at current rates as of the reporting date. The "Buy" amounts represent the United States dollar equivalent of commitments to purchase currencies, and the "Sell" amounts represent the United States dollar equivalent of commitments to sell currencies.

AS OF DECEMBER 31, 2009	BUY	SELL
United States dollar	\$ 243.9	\$ (6.9)
Pound sterling	—	(35.1)
Euro	60.6	(163.5)
Canadian dollar	—	(77.3)
Australian dollar	—	(13.3)
Czech koruna	14.9	—
Swedish krona	—	(13.2)
Norwegian krone	—	(8.1)
Other	7.4	(12.7)
Total	\$ 326.8	\$ (330.1)
AS OF DECEMBER 31, 2008		
Total	\$ 583.2	\$ (518.3)

Forward contracts on various foreign currencies are also entered into to manage the foreign currency exchange risk associated with foreign currency denominated assets, liabilities, and firm commitments. The objective of the hedges is to reduce the variability of cash flows associated with the receipt or payment of those foreign currency risks. When the functional currency of the selling subsidiary weakens against the exposed currency, the increase in the present value of the future foreign currency cash flow associated with the future receipt or payment of the foreign currency denominated asset or liability is offset by gains in the fair value of the forward contract designated as hedged. Conversely, when the functional currency of the selling subsidiary strengthens against the exposed currency, the decrease in the future receipt or payment of the foreign currency denominated asset or liability is offset by losses in the fair value of the forward contract designated as hedged.

The following table summarizes the contractual amounts of forward exchange contracts as of December 31, 2009 and 2008, in millions of dollars, which were entered into to hedge foreign currency denominated assets, liabilities, and firm commitments,

including details by major currency as of December 31, 2009. Foreign currency amounts were translated at current rates as of the reporting date. The “Buy” amounts represent the United States dollar equivalent of

commitments to purchase currencies, and the “Sell” amounts represent the United States dollar equivalent of commitments to sell currencies.

<u>AS OF DECEMBER 31, 2009</u>	<u>BUY</u>	<u>SELL</u>
United States dollar	\$ 1,425.1	\$ (2,863.8)
Pound sterling	1,838.4	(537.7)
Euro	1,009.9	(750.2)
Canadian dollar	22.9	(64.5)
Czech koruna	—	(5.1)
Japanese yen	—	(31.4)
Swedish krona	95.0	(73.7)
New Zealand dollar	22.5	(11.2)
Swiss franc	1.2	(16.9)
Norwegian krone	—	(4.4)
Danish krone	.8	(34.3)
Other	5.6	(25.1)
Total	\$ 4,421.4	\$ (4,418.3)

<u>AS OF DECEMBER 31, 2008</u>	<u></u>	<u></u>
Total	\$ 2,261.4	\$ (2,434.2)

The Corporation’s foreign currency derivatives are designated to, and generally are denominated in the currencies of, the underlying exposures. Some of the forward exchange contracts involve the exchange of two foreign currencies according to the local needs of the subsidiaries. Some natural hedges also are used to mitigate risks associated with transaction and forecasted exposures. The Corporation also responds to foreign exchange movements through various means, such as pricing actions, changes in cost structure, and changes in hedging strategies.

The Corporation has entered into forward contracts on certain commodities – principally zinc and copper – to manage the price risk associated with the forecasted purchases of materials used in the manufacturing of the Corporation’s products. The objective of the hedge is to reduce the variability of cash flows associated with the forecasted purchase of those commodities. The Corporation had the following notional amounts of commodity contracts outstanding (in millions of pounds).

<u>AS OF DECEMBER 31,</u>	<u>2009</u>	<u>2008</u>
Zinc	7.3	13.7
Copper	1.6	3.3

Fair Value Hedging Strategy. For each derivative instrument that is designated and qualifies as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the same line item associated with the hedged item in current earnings during the period of the change in fair values. The Corporation manages its interest rate risk, primarily through the use of interest rate swap agreements, in order to achieve a cost-effective mix of fixed and variable rate indebtedness. It seeks to issue debt opportunistically, whether at fixed or variable rates, at the lowest possible costs. The Corporation may, based upon its assessment of the future interest rate environment, elect to manage its interest rate risk associated with changes in the fair value of its indebtedness through the use of interest rate swaps. The interest rate swap agreements utilized by the Corporation effectively modify the Corporation’s exposure to interest rates by converting the Corporation’s fixed-rate debt, to the extent it has been swapped, to a floating rate. The Corporation has designated each of its outstanding interest rate swap agreements as fair value hedges of the underlying fixed rate obligation. The fair value of the interest rate swap agreements is recorded in other current assets, other assets, other current liabilities, or other long-term liabilities with a corresponding increase or decrease in the fixed rate obligation. The changes in the fair value of the interest rate swap agreements and the underlying fixed rate obligations are recorded as equal and offsetting unrealized gains and losses in interest expense in the Consolidated Statement of Earnings. Gains or losses resulting from the early termination of interest rate swaps are deferred as an increase or decrease to the carrying value of the related debt and amortized as an adjustment to the yield of the related debt instrument over the remaining period originally covered by the swap.

As of December 31, 2009 and 2008, the total notional amount of the Corporation’s portfolio of fixed-to-variable interest rate swap instruments was \$325.0 million, respectively.

Net Investment Hedging Strategy. For derivatives that are designated and qualify as hedges of net investments in subsidiaries located outside the United States, the gain or loss (net of tax) is reported in accumulated other comprehensive income (loss) as part of the cumulative translation adjustment to the extent the derivative is effective. Any ineffective portion of net investment hedges are recognized in current earnings. Amounts due from or to counterparties are included in other current assets or other current liabilities. The objective of the hedge is to protect the value of the Corporation’s investment in its foreign subsidiaries.

As of December 31, 2009 and 2008, the total notional amount of the Corporation’s net investment hedges consisted of contracts to sell the British Pound Sterling in the amount of £753.2 million and £383.8 million, respectively.

Other Hedging Strategy. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings during the period of change. The notional amounts of derivative instruments not designated as hedging instruments at December 31, 2009 and 2008, were not material.

Credit Exposure. The Corporation is exposed to credit-related losses in the event of nonperformance by counterparties to certain derivative financial instruments. The Corporation monitors the creditworthiness of the counterparties and presently does not expect default by any of the counterparties. The Corporation does not obtain collateral in connection with its derivative financial instruments.

The credit exposure that results from interest rate and foreign exchange contracts is the fair value of contracts with a positive fair value as of the reporting date. Some derivatives are not subject to credit exposures. The fair value of all financial instruments is summarized in Note 11.

Fair Value Measurements: Effective January 1, 2008, the Corporation adopted a new accounting standard that defined fair value, established a framework for measuring fair value, and expanded disclosures about fair value measurements. This standard clarified how to measure fair value as permitted under other accounting pronouncements but did not require any new fair value measurements. In February 2008, the FASB adopted a one-year deferral of the fair value measurement and disclosure requirements for non-financial assets and liabilities, except for those that are recognized and disclosed at fair value in the financial statements on at least an annual basis.

The Corporation adopted the fair value measurement and disclosure requirements for measuring financial assets and liabilities and non-financial assets and liabilities that are recognized at fair value in the financial statements on at least an annual basis as of January 1, 2008. The Corporation adopted the fair value measurement and disclosure requirements for non-financial assets and liabilities as of January 1, 2009.

The fair value accounting standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. That fair value accounting standard also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Income Taxes: The provision for income taxes is determined using the asset and liability approach. Under this approach, deferred income taxes represent the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Valuation allowances are recorded to reduce the deferred tax assets to an amount that will more likely than not be realized. No provision is made for the U.S. income taxes on the undistributed earnings of wholly-owned foreign subsidiaries as substantially all such earnings are permanently reinvested, or will only be repatriated when possible to do so at minimal additional tax cost.

Effective January 1, 2007, the Corporation adopted a new accounting standard that provided guidance for the recognition, derecognition and measurement in financial statements of tax positions taken in previously filed tax returns or tax positions expected to be taken in tax returns. The Corporation recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. If the tax position meets the more-likely-than-not recognition threshold, the tax effect is recognized at the largest amount of the benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Corporation recognizes a liability created for unrecognized tax benefits as a separate liability that is not combined with deferred tax liabilities or assets. The Corporation recognizes interest and penalties related to tax uncertainties as income tax expense. The impact of the adoption of that new accounting standard for tax positions is more fully disclosed in Note 12.

Earnings per Share: The Corporation calculates basic net earnings per share using the weighted-average number of common shares outstanding during the period. Diluted net earnings per share is computed using the weighted-average number of common shares and dilutive potential common shares outstanding during the period. Dilutive potential common shares, which primarily consist of stock options, restricted stock and restricted stock units, are determined under the treasury stock method.

Effective January 1, 2009, the Corporation adopted a new accounting standard that clarifies whether instruments granted in share-based payment transactions should be included in the computation of earnings per share using the two-class method prior to vesting. See Note 15 for application of the two-class method to the Corporation's share-based plans. The new accounting standard requires that all prior-period earnings per share presented be adjusted retrospectively. Accordingly, basic and diluted earnings per share for the year ended December 31, 2008, have been adjusted to \$4.83 and \$4.77, respectively, from \$4.91 and \$4.82, respectively. Basic and diluted earnings per share for the year ended December 31, 2007, have been adjusted to \$7.96 and \$7.78, respectively, from \$8.06 and \$7.85, respectively.

Subsequent Events: The Corporation has evaluated subsequent events through February 19, 2010, the date of issuance of these financial statements, and determined that: (i) no subsequent events have occurred

that would require recognition in its consolidated financial statements for the year ended December 31, 2009; and (ii) no other subsequent events have occurred that would require disclosure in the notes thereto.

NOTE 2: DEFINITIVE MERGER AGREEMENT

On November 2, 2009, the Corporation announced that it had entered into a definitive merger agreement to create Stanley Black & Decker, Inc. in an all-stock transaction. Under the terms of the transaction, which has been approved by the Boards of Directors of both the Corporation and The Stanley Works, the Corporation's shareholders will receive a fixed ratio of 1.275 shares of The Stanley Works common stock for each share of the Corporation's common stock that they own. Consummation of the transaction is subject to customary closing conditions, including obtaining certain regulatory approvals as well as shareholder approval from the shareholders of both the Corporation and The Stanley Works.

On December 29, 2009, the Corporation announced that the Hart-Scott-Rodino antitrust review period had expired. The expiration of the Hart-Scott-Rodino antitrust review period satisfies one of the conditions to the closing of the transaction. On February 2, 2010, the Corporation and The Stanley Works announced that both companies will hold special shareholder meetings on March 12, 2010, to vote on the combination of their businesses. In connection with the proposed transaction, The Stanley Works has filed with the Securities and Exchange Commission (SEC) a Registration Statement on Form S-4 (File No. 333-163509) that includes a joint proxy statement of Stanley and the Corporation that also constitutes a prospectus of Stanley. The joint proxy statement of both the Corporation and The Stanley Works was mailed to shareholders commencing on or about February 4, 2010. Investors and security holders are urged to read the joint proxy statement/prospectus and any other relevant documents filed with the SEC because they contain important information. The Corporation and The Stanley Works expect that closing of the proposed transaction will occur on March 12, 2010.

The provisions of the definitive merger agreement provide for a termination fee, in the amount of \$125 million, to be paid by either the Corporation or by The Stanley Works under certain circumstances, including circumstances in which the Board of Directors of The Stanley Works or the Corporation withdraw or modify adversely their recommendation of the proposed transaction.

The Corporation recognized merger-related expenses of \$58.8 million for the year ended December 31, 2009, for the matters described in the following paragraphs.

Approval of the definitive merger agreement by the Corporation's Board of Directors constituted a "change in control" as defined in certain agreements with employees. That "change in control" resulted in the following events, all of which were recognized in the Corporation's financial statements for the year ended December 31, 2009:

- i. Under the terms of two restricted stock plans, all restrictions lapsed on outstanding, but non-vested, restricted stock and restricted stock units, except for those held by the Corporation's Chairman, President, and Chief Executive Officer. As a result of that lapse, the Corporation recognized previously unrecognized compensation expense in the amount of approximately \$33.0 million, restrictions lapsed on 479,034 restricted shares, and the Corporation issued 311,963 shares in satisfaction of the restricted units (those 311,963 shares were net of 166,037 shares withheld to satisfy employee tax withholding requirements). In addition, the Corporation repurchased 186,326 shares, representing shares with a fair value equal to amounts necessary to satisfy employee tax withholding requirements on the 479,034 restricted shares on which restrictions lapsed.
- ii. Under the terms of severance agreements with 19 of its key employees, all unvested stock options held by those individuals, aggregating approximately 1.1 million options, immediately vested. As a result, the Corporation recognized previously unrecognized compensation expense associated with those options in the amount of approximately \$9.3 million.
- iii. Under the terms of The Black & Decker Supplemental Executive Retirement Plan, which covers six key employees, the participants became fully vested. As a result, the Corporation recognized additional pension expense of approximately \$5.3 million.

The events described in paragraphs i. through iii. above were recognized in the Corporation's financial statements for the year ended December 31, 2009, as the approval of the definitive merger agreement by the Corporation's Board of Directors on November 2, 2009, constituted a "change in control" under certain agreements with employees and resulted in the occurrence—irrespective of whether or not the proposed merger is ultimately consummated—of those events. Additional payments upon a change in control—that are solely payable upon consummation of the proposed merger or termination of certain employees—will not be recognized in the Corporation's financial statements until: (1) consummation of the proposed merger, which is subject to customary closing conditions, including obtaining certain regulatory approvals, as well as shareholder approval from the shareholders of both the Corporation and The Stanley Works, and therefore cannot be considered probable until such approvals are obtained; or (2) if prior to consummation of the proposed merger, the Corporation reaches a determination to terminate an affected employee, irrespective of whether the proposed merger is consummated.

On November 2, 2009, the Corporation's Board of Directors amended the terms of The Black & Decker 2008 Executive Long-Term Incentive/Retention Plan to remove the provision whereby cash payouts under the plan are adjusted upward or downward proportionately to the extent that the Corporation's common stock exceeds or is less than \$67.78. As a result of this modification, the Corporation recognized additional compensation expense of \$2.8 million in its financial statements for the year ended December 31, 2009.

The Corporation also expects that it will incur fees for various advisory, legal, and accounting services, as well as other expenses, associated with the proposed merger. The Corporation estimates that these outside service fees and other expenses, which will be expensed as incurred, will approximate \$25 million, of which approximately \$8.4 million of expenses were recognized in the year ended December 31, 2009. The anticipated \$25 million of outside service fees includes approximately \$10.5 million of fees that are only payable upon consummation of the proposed merger. The Corporation's estimate of outside service fees is based upon current forecasts of expected service activity. There is no assurance that the amount of these fees could not increase significantly in the future if circumstances change.

NOTE 3: ACQUISITIONS

Effective September 9, 2008, the Corporation acquired Spiralock Corporation (Spiralock) for a cash purchase price of \$24.1 million. During 2009, the Corporation received a \$.2 million reduction to that purchase price based upon changes in the net assets of Spiralock as of the closing date. The addition of Spiralock to the Corporation's Fastening and Assembly Systems segment allows the Corporation to offer customers a broader range of products.

The allocation of the purchase price resulted in the recognition of \$13.6 million of goodwill primarily related to the anticipated future earnings and cash flows of Spiralock. The transaction also generated \$10.2 million of finite-lived intangible assets that will be amortized over 15 years. These intangible assets are reflected in other assets in the Consolidated Balance Sheet. The Corporation does not believe that the goodwill and intangible assets recognized will be deductible for income tax purposes.

The Corporation also acquired another business during 2008, included in the Corporation's Power Tools and Accessories segment, for a purchase price of \$3.8 million. Of that purchase price, \$1.6 million was paid in 2008, \$1.6 million was paid in 2009 and the remainder will be paid in 2010.

The financial position and results of operations associated with these acquisitions have been included in the Corporation's Consolidated Balance Sheet and Statement of Earnings since the date of acquisition.

NOTE 4: INVENTORIES

The classification of inventories at the end of each year, in millions of dollars, was as follows:

	2009	2008
FIFO cost		
Raw materials and work-in-process	\$ 195.7	\$ 263.9
Finished products	593.3	783.8
	789.0	1,047.7
Adjustment to arrive at LIFO inventory value	(11.9)	(23.5)
	\$ 777.1	\$ 1,024.2

The cost of United States inventories stated under the LIFO method was approximately 44% of the value of total inventories at December 31, 2009 and 2008.

NOTE 5: PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at the end of each year, in millions of dollars, consisted of the following:

	2009	2008
Property, plant, and equipment at cost:		
Land and improvements	\$ 40.9	\$ 41.3
Buildings	299.6	299.7
Machinery and equipment	1,252.2	1,288.9
	1,592.7	1,629.9
Less accumulated depreciation	1,119.3	1,102.0
	\$ 473.4	\$ 527.9

Depreciation expense was \$116.3 million, \$125.2 million, and \$132.6 million for the years ended December 31, 2009, 2008, and 2007, respectively.

NOTE 6: GOODWILL AND OTHER IDENTIFIED INTANGIBLE ASSETS

The changes in the carrying amount of goodwill by reportable business segment, in millions of dollars, were as follows:

	POWER TOOLS & ACCESSORIES	HARDWARE & HOME IMPROVEMENT	FASTENING & ASSEMBLY SYSTEMS	TOTAL
Balance at January 1, 2008	\$ 436.4	\$ 464.4	\$ 312.1	\$ 1,212.9
Acquisition	—	—	13.9	13.9
Currency translation adjustment	(3.5)	(1.0)	.9	(3.6)
Balance at December 31, 2008	432.9	463.4	326.9	1,223.2
Activity associated with prior year acquisition	—	—	(.3)	(.3)
Currency translation adjustment	3.2	.7	3.2	7.1
Balance at December 31, 2009	\$ 436.1	\$ 464.1	\$ 329.8	\$ 1,230.0

The carrying amount of acquired intangible assets included in other assets at the end of each year, in millions of dollars, was as follows:

	2009	2008
Customer relationships (net of accumulated amortization of \$21.4 in 2009 and \$15.7 in 2008)	\$ 51.2	\$ 56.9
Technology and patents (net of accumulated amortization of \$11.8 in 2009 and \$9.5 in 2008)	11.9	14.2
Trademarks and trade names (net of accumulated amortization of \$2.2 in 2009 and \$5.6 in 2008)	197.9	206.5
Total intangibles, net	\$ 261.0	\$ 277.6

Trademarks and trade names include indefinite-lived assets of \$193.9 million at December 31, 2009 and 2008, respectively.

Expense associated with the amortization of finite-lived intangible assets in 2009, 2008, and 2007 was \$10.4 million, \$9.8 million, and \$9.1 million, respectively. At December 31, 2009, the weighted-average amortization periods were 13 years for customer relationships, 11 years for technology and patents, and 10 years for trademarks and trade names. The estimated future amortization expense for identifiable intangible assets during each of the next four years is approximately \$9.0 million. For the year ended December 31, 2014, this expense is expected to be approximately \$8.0 million.

NOTE 7: OTHER CURRENT LIABILITIES

Other current liabilities at the end of each year, in millions of dollars, included the following:

	2009	2008
Trade discounts and allowances	\$ 153.9	\$ 202.8
Employee benefits	117.5	128.8
Salaries and wages	93.9	81.1
Advertising and promotion	38.8	37.8
Warranty	50.7	55.2
Income taxes, including deferred taxes	64.0	102.0
All other	273.9	339.7
	\$ 792.7	\$ 947.4

All other at December 31, 2009 and 2008, consisted primarily of accruals for foreign currency derivatives, environmental exposures, interest, insurance, restructuring, and taxes other than income taxes.

The following provides information with respect to the Corporation's warranty accrual, in millions of dollars:

	2009	2008
Warranty reserve at January 1	\$ 55.2	\$ 60.5
Accruals for warranties issued during the period and changes in estimates related to pre-existing warranties	92.1	123.0
Settlements made	(98.1)	(125.1)
Currency translation adjustments	1.5	(3.2)
Warranty reserve at December 31	\$ 50.7	\$ 55.2

NOTE 8: SHORT-TERM BORROWINGS

Short-term borrowings in the amounts of \$83.3 million at December 31, 2008, consisted primarily of borrowings under the terms of the Corporation's commercial paper program, uncommitted lines of credit, and other short-term borrowing arrangements. The weighted-average interest rate on short-term borrowings outstanding was 2.20% at December 31, 2008.

The Corporation maintains an agreement under which it may issue commercial paper at market rates with maturities of up to 365 days from the date of issue. The maximum amount authorized for issuance under its commercial paper program is \$1.0 billion. The Corporation's ability to borrow under this commercial paper agreement is generally dependent upon the Corporation maintaining a minimum short-term debt credit rating of A2 / P2. There was \$65.0 million outstanding under this agreement at December 31, 2008.

In December 2007, the Corporation replaced a \$1.0 billion unsecured revolving credit facility (the Former Credit Facility) with a \$1.0 billion senior unsecured revolving credit agreement (the Credit Facility) that expires December 2012. The amount available for

borrowings under the Credit Facility was approximately \$1.0 billion and \$935.0 million at December 31, 2009 and 2008, respectively.

Under the Credit Facility, the Corporation has the option of borrowings at London Interbank Offered Rate (LIBOR) plus an applicable margin or at other variable rates set forth therein. The Credit Facility provides that the interest rate margin over LIBOR, initially set at .30%, will increase (by a maximum amount of .30%) or decrease (by a maximum amount of .12%) based on changes in the ratings of the Corporation's long-term senior unsecured debt.

In addition to interest payable on the principal amount of indebtedness outstanding from time to time under the Credit Facility, the Corporation is required to pay an annual facility fee, initially equal to .10% of the amount of the aggregate commitments under the Credit Facility, whether used or unused. The Corporation is also required to pay a utilization fee, initially equal to .05% per annum, applied to the outstanding balance when borrowings under the Credit Facility exceed 50% of the aggregate commitments. The Credit Facility provides that both the facility fee and the utilization fee will increase or decrease based on changes in the ratings of the Corporation's long-term senior unsecured debt.

The Credit Facility includes usual and customary covenants for transactions of this type, including covenants limiting liens on assets of the Corporation, sale-leaseback transactions and certain asset sales, mergers or changes to the businesses engaged in by the Corporation. The Credit Facility requires that the Corporation maintain specific leverage and interest

coverage ratios. As of December 31, 2009, the Corporation was in compliance with all terms and conditions of the Credit Facility.

Under the terms of uncommitted lines of credit at December 31, 2009, the Corporation may borrow up to approximately \$250 million on such terms as may be mutually agreed. These arrangements do not have termination dates and are reviewed periodically. No material compensating balances are required or maintained.

The average borrowings outstanding under the Corporation's commercial paper program, uncommitted lines of credit, and other short-term borrowing arrangements during 2009 and 2008 were \$167.0 million and \$651.7 million, respectively.

NOTE 9: LONG-TERM DEBT

The composition of long-term debt at the end of each year, in millions of dollars, was as follows:

	2009	2008
7.125% notes due 2011 (including discount of \$.4 in 2009 and \$.7 in 2008)	\$ 399.6	\$ 399.3
4.75% notes due 2014 (including discount of \$1.1 in 2009 and \$1.3 in 2008)	298.9	298.7
8.95% notes due in 2014 (including discount of \$3.6 in 2009)	346.4	—
5.75% notes due 2016 (including discount of \$.8 in 2009 and \$1.0 in 2008)	299.2	299.0
7.05% notes due 2028	150.0	150.0
Other loans due through 2012	175.0	225.0
Fair value hedging adjustment	45.9	72.8
Less current maturities of long-term debt	—	(.1)
	\$ 1,715.0	\$ 1,444.7

During 2008, the Corporation entered into loan agreements in the aggregate amount of \$225.0 million, with \$125.0 million and \$100.0 million maturing in April 2011 and December 2012, respectively. The terms of the loan agreements permit repayment prior to maturity. Borrowings under the loan agreements are at variable rates. The average borrowing rate under the loan agreements is LIBOR plus 1.14%. At December 31, 2009 and 2008, the weighted-average interest rate on these loans was 1.41% and 3.76%, respectively.

In June 2009, the Corporation amended the terms of a \$50.0 million term loan agreement to provide for periodic repayments and borrowings up to the original loan amount through the maturity date of April 2011. The Corporation is required to pay a commitment fee on the unutilized portion of the facility. At December 31, 2009, no borrowings were outstanding under this agreement. In February 2010, the Corporation terminated this agreement.

As more fully described in Note 1, at December 31, 2009 and 2008, the carrying amount of long-term debt and current maturities thereof includes \$45.9 million and \$72.8 million, respectively, relating to outstanding or terminated fixed-to-variable rate interest rate swap agreements. Deferred gains on the early termination of interest rate swaps were \$21.8 million and \$29.0 million at December 31, 2009 and 2008, respectively.

Indebtedness of subsidiaries in the aggregate principal amounts of \$150.0 million and \$152.8 million were included in the Consolidated Balance Sheet at December 31, 2009 and 2008, respectively, in short-term borrowings, current maturities of long-term debt, and long-term debt.

Principal payments on long-term debt obligations due over the next five years are as follows: \$— million in 2010, \$475.0 million in 2011, \$100.0 million in 2012, \$— million in 2013, and \$650.0 million in 2014. Interest payments on all indebtedness were \$97.9 million in 2009, \$101.1 million in 2008, and \$104.3 million in 2007.

NOTE 10: DERIVATIVE FINANCIAL INSTRUMENTS

As more fully described in Note 1, the Corporation is exposed to market risks arising from changes in foreign currency exchange rates, commodity prices, and interest rates. The Corporation manages these risks by entering into derivative financial instruments. The Corporation also manages these risks using methods other than derivative financial instruments. The fair value of all financial instruments is summarized in Note 11.

Foreign Currency Derivatives: As more fully described in Note 1, the Corporation enters into various foreign currency contracts in managing its foreign currency exchange risk. Generally, the foreign currency contracts have maturity dates of less than twenty-four months. The contractual amounts of foreign currency derivatives, principally forward exchange contracts, generally are exchanged by the counterparties.

Hedge ineffectiveness and the portion of derivative gains and losses excluded from the assessment of hedge effectiveness related to the Corporation's cash flow hedges that were recorded to earnings during 2009, 2008, and 2007 were not significant.

Amounts deferred in accumulated other comprehensive income (loss) at December 31, 2009, that are expected to be reclassified into earnings during 2010 represent an after-tax loss of \$1.0 million. The amounts expected to be reclassified into earnings during 2010 include unrealized gains and losses related to open foreign currency contracts. Accordingly, the amounts that are ultimately reclassified into earnings may differ materially.

Interest Rate Derivatives: The Corporation's portfolio of interest rate swap instruments at December 31, 2009 and 2008, consisted of \$325.0 million notional amounts of fixed-to-variable rate swaps with a weighted-average fixed rate receipt of 4.81%, respectively. The basis of the variable rate paid is LIBOR.

The amounts exchanged by the counterparties to interest rate swap agreements normally are based upon the notional amounts and other terms, generally related to interest rates, of the derivatives. While notional amounts of interest rate swaps form part of the basis

for the amounts exchanged by the counterparties, the notional amounts are not themselves exchanged and, therefore, do not represent a measure of the Corporation's exposure as an end user of derivative financial instruments.

Commodity Derivatives: As more fully described in Note 1, the Corporation enters into various commodity contracts in managing price risk related to metal purchases used in the manufacturing process. Generally, the commodity contracts have maturity dates of less than twenty-four months. The amounts exchanged by the counterparties to the commodity contracts normally are based upon the notional amounts and other terms, generally related to commodity prices. While the notional amounts of the commodity contracts form part of the basis for the amounts exchanged by the counterparties, the notional amounts are not themselves exchanged, and, therefore, do not represent a measure of the Corporation's exposure as an end user of derivative financial instruments.

Hedge ineffectiveness and the portion of derivative gains and losses excluded from the assessment of hedge effectiveness related to the Corporation's cash flow hedges for commodity trades recorded to earnings during 2009, 2008, and 2007 were not significant.

Amounts deferred in accumulated other comprehensive income (loss) at December 31, 2009, that are expected to be reclassified into earnings during 2010 represent an after-tax gain of \$3.0 million. The amount expected to be reclassified into earnings during 2010 includes unrealized gains and losses related to open commodity contracts. Accordingly, the amounts that are ultimately reclassified into earnings may differ materially.

Credit Exposure: The Corporation's credit exposure on foreign currency, interest rate, and commodity derivatives as of December 31, 2009 and 2008 were \$27.9 million and \$183.4 million, respectively. That credit exposure reflects the effects of legally enforceable master netting arrangements.

Fair Value of Derivative Financial Instruments: The following table details the fair value of derivative financial instruments included in the Consolidated Balance Sheet as of December 31, 2009 (in millions of dollars):

	ASSET DERIVATIVES		LIABILITY DERIVATIVES	
	BALANCE SHEET LOCATION	FAIR VALUE	BALANCE SHEET LOCATION	FAIR VALUE
Derivatives Designated as Hedging Instruments				
Interest rate contracts	Other current assets	\$ 2.4	Other current liabilities	\$ —
	Other assets	24.2	Other long-term liabilities	—
Foreign exchange contracts	Other current assets	48.5	Other current liabilities	50.1
	Other assets	.9	Other long-term liabilities	.3
Net investment contracts	Other current assets	2.9	Other current liabilities	15.2
Commodity contracts	Other current assets	6.0	Other current liabilities	—
Total Derivatives Designated as Hedging Instruments		\$ 84.9		\$ 65.6
Derivatives Not Designated as Hedging Instruments				
Foreign exchange contracts	Other current assets	\$ 17.9	Other current liabilities	\$ 17.0
Total Derivatives		\$ 102.8		\$ 82.6

The fair value of derivative financial instruments in the preceding table is presented prior to the netting of derivative receivables and derivative payables as disclosed previously.

The following table details the impact of derivative financial instruments in the Consolidated Statement of Earnings for the year ended December 31, 2009 (in millions of dollars):

Derivatives in Cash Flow Hedging Relationships	AMOUNT OF GAIN (LOSS) RECOGNIZED IN OCI (a) [EFFECTIVE PORTION]	LOCATION OF GAIN (LOSS) RECLASSIFIED FROM OCI INTO INCOME	AMOUNT OF GAIN (LOSS) RECLASSIFIED FROM OCI INTO INCOME [EFFECTIVE PORTION]	LOCATION OF GAIN (LOSS) RECOGNIZED IN INCOME [INEFFECTIVE PORTION]	AMOUNT OF GAIN (LOSS) RECOGNIZED IN INCOME [INEFFECTIVE PORTION]
Foreign exchange contracts	\$ 46.9	Cost of goods sold	\$ 42.4	Cost of goods sold	\$ —
		Interest expense, net	2.3	Interest expense, net	—
		Other expense (income)	78.8	Other expense (income)	.1
Commodity contracts	9.6	Cost of goods sold	(6.5)	Cost of goods sold	—
Total	\$ 56.5		\$ 117.0		\$.1

Derivatives in Fair Value Hedging Relationships	LOCATION OF GAIN (LOSS) RECOGNIZED IN INCOME		AMOUNT OF GAIN (LOSS) RECOGNIZED IN INCOME
	Interest rate contracts	Interest expense, net	\$ (8.6)

Derivatives in Net Investment Hedging Relationships	AMOUNT OF GAIN (LOSS) RECOGNIZED IN OCI [EFFECTIVE PORTION]	LOCATION OF GAIN (LOSS) RECOGNIZED IN INCOME [INEFFECTIVE PORTION]	AMOUNT OF GAIN (LOSS) RECOGNIZED IN INCOME [INEFFECTIVE PORTION]
	Foreign exchange contracts	Other expense (income)	\$ —

Derivatives Not Designated as Hedging Instruments	LOCATION OF GAIN (LOSS) RECOGNIZED IN INCOME		AMOUNT OF GAIN (LOSS) RECOGNIZED IN INCOME
	Foreign exchange contracts	Cost of goods sold Other expense (income)	\$ (.1) 1.6
Total			\$ 1.5

(a) OCI is defined as Accumulated Other Comprehensive income (loss), a component of stockholders' equity.

NOTE 11: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the fair value of the Corporation's financial instruments as of December 31, 2009 and 2008, in millions of dollars. Significant differences can arise between the fair value and carrying amount of financial instruments that are recognized at historical cost amounts.

	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	NETTING(a)	DECEMBER 31, 2009
Assets:				
Investments	\$ 34.3	\$ 25.2	\$ —	\$ 59.5
Derivatives	6.0	96.8	(65.7)	37.1
Liabilities:				
Derivatives	—	(82.6)	65.7	(16.9)
Debt	—	(1,786.7)	—	(1,786.7)

	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	NETTING(a)	DECEMBER 31, 2008
Assets:				
Investments	\$ 45.8	\$ 21.7	\$ —	\$ 67.5
Derivatives	—	402.7	(219.3)	183.4
Liabilities:				
Derivatives	(7.7)	(261.6)	219.3	(50.0)
Debt	—	(1,370.8)	—	(1,370.8)

(a) Accounting principles generally accepted in the United States permit the netting of derivative receivables and derivative payables when a legally enforceable master netting arrangement exists.

The carrying amounts of investments and derivatives are equal to their fair value. The carrying amount of debt at December 31, 2009 and 2008, is \$1,715.0 million and \$1,528.1 million, respectively.

Investments, derivative contracts and debt are valued at December 31, 2009 and 2008, using quoted market prices for identical or similar assets and liabilities. Investments classified as Level 1 include those whose fair value is based on identical assets in an active market. Investments classified as Level 2 include those whose fair value is based upon identical assets in markets that are less active. The fair value for derivative contracts are based upon current quoted market prices and are classified as Level 1 or Level 2 based on the nature of the underlying markets in which these derivatives are traded. The fair value of debt is based upon current quoted market prices in markets that are less active.

NOTE 12: INCOME TAXES

Earnings (loss) before income taxes for each year, in millions of dollars, were as follows:

	2009	2008	2007
United States	\$ (121.2)	\$.4	\$ 97.2
Other countries	291.6	364.3	400.4
	\$ 170.4	\$ 364.7	\$ 497.6

Significant components of income taxes (benefit) for each year, in millions of dollars, were as follows:

	2009	2008	2007
Current:			
United States	\$ (28.7)	\$ (6.1)	\$ (65.5)
Other countries	50.5	69.8	68.6
	21.8	63.7	3.1
Deferred:			
United States	15.5	3.2	(16.3)
Other countries	.6	4.2	(7.3)
	16.1	7.4	(23.6)
	\$ 37.9	\$ 71.1	\$ (20.5)

Income tax expense (benefits) recorded directly as an adjustment to equity as a result of the exercise of employee stock options and the vesting of other stock-based compensation arrangements were \$.9 million, (\$.1) million, and \$(13.3) million in 2009, 2008, and 2007, respectively. Income tax expense (benefits) recorded directly as an adjustment to equity as a result of hedging activities were \$(23.1) million, \$89.4 million, and \$(13.8) million in 2009, 2008, and 2007, respectively.

Income tax payments were \$85.9 million in 2009, \$168.1 million in 2008, and \$139.5 million in 2007.

Deferred tax (liabilities) assets at the end of each year, in millions of dollars, were composed of the following:

	2009	2008
Deferred tax liabilities:		
Other	\$ (84.1)	\$ (80.4)
Gross deferred tax liabilities	(84.1)	(80.4)
Deferred tax assets:		
Tax loss carryforwards	49.9	36.2
Postretirement benefits	244.0	209.1
Environmental remediation matters	34.3	34.7
Stock-based compensation	29.8	40.7
Other	161.6	163.9
Gross deferred tax assets	519.6	484.6
Deferred tax asset valuation allowance	(37.8)	(27.6)
Net deferred tax assets	\$ 397.7	\$ 376.6

Deferred income taxes are included in the Consolidated Balance Sheet in other current assets, other assets, other current liabilities, and other long-term liabilities. Other deferred tax assets principally relate to accrued liabilities that are not currently deductible and items relating to uncertain tax benefits which would not affect the annual effective tax rate.

Tax loss carryforwards at December 31, 2009, consisted of net operating losses expiring from 2010 to 2026.

A reconciliation of income taxes (benefit) at the federal statutory rate to the Corporation's income taxes for each year, in millions of dollars, is as follows:

	2009	2008	2007
Income taxes at federal statutory rate	\$ 59.7	\$ 127.6	\$ 174.2
Settlement of tax litigation	—	—	(153.4)
Lower effective taxes on earnings in other countries	(37.9)	(59.5)	(53.6)
Other – net	16.1	3.0	12.3
Income taxes (benefit)	\$ 37.9	\$ 71.1	\$ (20.5)

At December 31, 2009, unremitted earnings of subsidiaries outside of the United States were approximately \$2.1 billion, on which no United States taxes had been provided. The Corporation's intention is to reinvest these earnings permanently or to repatriate the earnings only when possible to do so at minimal additional tax cost. It is not practicable to estimate the amount of additional taxes that might be payable upon repatriation of foreign earnings.

Uncertain Tax Positions: As disclosed in Note 1 of Notes to Consolidated Financial Statements the Corporation adopted a new accounting standard for uncertain tax positions effective January 1, 2007. Upon adoption, the Corporation recorded the cumulative effect of the change in accounting principle of \$7.3 million as a reduction to retained earnings.

As of December 31, 2009 and 2008, the Corporation has recognized \$291.8 million and \$255.8 million, respectively, of liabilities for unrecognized tax benefits of which \$31.5 million and \$24.3 million, respectively, related to interest. As of December 31, 2009 and 2008, the Corporation classified \$48.0 million and \$47.5 million, respectively, of its liabilities for unrecognized tax benefits within other current liabilities. Non-current tax reserves are recorded in other long-term liabilities in the Consolidated Balance Sheet.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest, for each year, in million of dollars, is set forth below:

	2009	2008	2007
Balance at January 1	\$ 231.5	\$ 317.4	\$ 359.5
Additions based on tax positions			
related to current year	23.9	33.9	35.2
Additions for tax positions	18.9	65.5	63.0
Reductions for tax positions			
related to prior years	(9.2)	(40.3)	(115.0)
Settlements (payments)	(4.8)	(57.0)	(26.2)
Expiration of the statute of limitations	(3.4)	(75.1)	(13.5)
Foreign currency translation adjustment	3.4	(12.9)	14.4

Balance at December 31	\$ 260.3	\$ 231.5	\$ 317.4
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The liabilities for unrecognized tax benefits at December 31, 2009 and 2008, include \$39.1 million and \$38.0 million, respectively, for which the disallowance of such items would not affect the annual effective tax rate. However, the timing of the realization of the tax benefits is uncertain. Such uncertainty would not impact tax expense but could affect the timing of tax payments to taxing authorities.

The Corporation recognizes interest and penalties relating to its liabilities for unrecognized tax benefits as an element of tax expense. During the years ended December 31, 2009, 2008 and 2007, the Corporation recognized \$7.3 million, \$13.4 million and \$20.7 million, respectively, in interest as a component of tax expense. Penalties were not significant.

The Corporation conducts business globally and, as a result, the Corporation and/or one or more of its subsidiaries file income tax returns in the federal and various state jurisdictions in the U.S. as well as in various jurisdictions outside of the U.S. In certain jurisdictions, the Corporation is either currently in the process of a tax examination or the statute of limitations has not yet expired. The Corporation generally remains subject to examination of its U.S. federal income tax returns for 2006 and later years, except as disclosed below. In the U.S., the Corporation generally remains subject to examination of its various state income tax returns for a period of four to five years from the date the return was filed. The state impact of any federal changes remains subject to examination by various states for a period up to

one year after formal notification of the states. The Corporation generally remains subject to examination of its various income tax returns in its significant jurisdictions outside the U.S. for periods ranging from three to five years after the date the return was filed. However, in Canada and Germany, the Corporation remains subject to examination of its tax returns for 2001 and later years, and 1999 and later years, respectively.

During 2003, the Corporation received notices of proposed adjustments from the U.S. Internal Revenue Service (IRS) in connection with audits of the tax years 1998 through 2000. The principal adjustment proposed by the IRS, and disputed by the Corporation, consisted of the disallowance of a capital loss deduction taken in the Corporation's tax returns and interest on the deficiency. This matter was the subject of litigation between the Corporation and the U.S. government. If the U.S. government were to have prevailed in its disallowance of the capital loss deduction and imposition of related interest, it would have resulted in a cash outflow by the Corporation of approximately \$180 million. If the Corporation were to have prevailed, it would have resulted in the Corporation receiving a refund of taxes previously paid of approximately \$50 million, plus interest. In December 2007, the Corporation and the U.S. government reached a settlement agreement with respect to the previously described litigation. That settlement agreement resolved the litigation relating to the audits of the tax years 1998 through 2000 and also resolved the treatment of this tax position in subsequent years. As a result of the settlement agreement, the Corporation recognized a \$153.4 million reduction to tax expense in 2007, representing a reduction of the previously unrecognized tax benefit associated with the IRS's disallowance of the capital loss, the imposition of related interest, and the effects of certain related tax positions taken in subsequent years. The effect of tax positions taken in subsequent years included the recognition of \$31.4 million of previously unrecognized net operating loss carryforwards of a subsidiary. The IRS closing agreements were finalized in 2008. The Corporation made cash payments of approximately \$50 million during 2008 relating to this settlement.

Judgment is required in assessing the future tax consequences of events that have been recognized in the Corporation's financial statements or income tax returns. Additionally, the Corporation is subject to periodic examinations by taxing authorities in many countries. The Corporation is currently undergoing periodic examinations of its tax returns in the United States (both federal and state), Canada, Germany, and the United Kingdom. The IRS completed its examination of the Corporation's U.S. federal income tax returns for 2004 and 2005 in 2008. At that time, the Corporation received notices of proposed adjustments from the IRS in conjunction with those audits. The Corporation vigorously disputed the position taken by the IRS on these matters and initiated an appeals process with the IRS. During 2009, the Corporation reached a tentative settlement agreement with IRS appeals for those years. If that settlement – currently pending approval by the Joint Committee on Taxation of the U.S. Congress – is finalized, the Corporation will release tax reserves. The IRS is currently examining the Corporation's U.S. federal income tax returns for 2006 and 2007. To date, no proposed adjustments have been issued; however, the Corporation expects that the IRS will complete that examination in 2010. The Corporation is also subject to legal proceedings regarding certain of its tax positions in a number of countries, including Italy. The final outcome of the future tax consequences of these examinations and legal proceedings as well as the outcome of competent authority proceedings, changes in regulatory tax laws, or interpretation of those tax laws, changes in income tax rates, or expiration of statutes of limitation could impact the Corporation's financial statements. The Corporation is subject to the effects of these matters occurring in various jurisdictions. Accordingly, the Corporation has tax reserves recorded for which it is reasonably possible that the amount of the unrecognized tax benefit will increase or decrease within the next twelve months. Any such increase or decrease could have a material affect on the financial results for any particular fiscal quarter or year. However, based on the uncertainties associated with litigation and the status of examinations, including the protocols of finalizing audits by the relevant tax authorities, which could include formal legal proceedings, it is not possible to estimate the impact of any such change.

NOTE 13: POSTRETIREEMENT BENEFITS

The following tables set forth the funded status of the defined benefit pension and postretirement plans, and amounts recognized in the Consolidated Balance Sheet at the end of each year, in millions of dollars.

	2009			2008		
	PENSION BENEFITS PLANS IN THE UNITED STATES	PENSION BENEFITS PLANS OUTSIDE OF THE UNITED STATES	OTHER POST- RETIREMENT BENEFITS ALL PLANS	PENSION BENEFITS PLANS IN THE UNITED STATES	PENSION BENEFITS PLANS OUTSIDE OF THE UNITED STATES	OTHER POST- RETIREMENT BENEFITS ALL PLANS
CHANGE IN BENEFIT OBLIGATION						
Benefit obligation at beginning of year						
Service cost	\$ 1,012.3	\$ 531.4	\$ 81.4	\$ 1,013.2	\$ 793.1	\$ 86.9
Interest cost	18.2	7.7	.7	26.1	14.7	.8
Curtailment gain	65.9	33.5	4.8	78.1	49.1	4.9
Plan participants' contributions	—	—	—	(1.1)	(1.5)	—
Actuarial (gains) losses	107.3	72.5	9.6	(21.9)	(96.7)	3.4
Foreign currency exchange rate changes	—	50.3	1.5	—	(182.3)	(1.9)
Benefits paid	(67.8)	(36.9)	(12.9)	(82.1)	(46.6)	(15.6)
Plan amendments	2.5	—	—	—	—	(.4)
Benefit obligation at end of year	1,138.4	659.6	86.5	1,012.3	531.4	81.4
CHANGE IN PLAN ASSETS						
Fair value of plan assets at beginning of year						
Actual return/(loss) on plan assets	606.4	343.6	—	987.8	643.6	—
Expenses	140.4	62.6	—	(297.1)	(119.6)	—
Benefits paid	(6.6)	(1.4)	—	(9.2)	(2.1)	—
Employer contributions	(67.8)	(35.5)	(12.9)	(82.1)	(44.5)	(15.6)
Contributions by plan participants	6.8	13.1	11.5	7.0	21.4	12.3
Foreign currency exchange rate changes	—	1.1	1.4	—	1.6	3.3
Fair value of plan assets at end of year	39.2	—	—	(156.8)	—	—
Funded status						
Contributions subsequent to measurement date	—	—	—	—	—	—
Accrued benefit cost at December 31	\$ (459.2)	\$ (236.9)	\$ (86.5)	\$ (405.9)	\$ (187.8)	\$ (81.4)
AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEET						
Noncurrent assets	\$ —	\$ —	\$ —	\$ 17.5	\$ —	\$ —
Current liabilities	(7.0)	(5.9)	(9.3)	(8.6)	(5.3)	(9.3)
Postretirement benefits	(452.2)	(231.0)	(77.2)	(414.8)	(182.5)	(72.1)
Net amount recognized at December 31	\$ (459.2)	\$ (236.9)	\$ (86.5)	\$ (405.9)	\$ (187.8)	\$ (81.4)
WEIGHTED-AVERAGE ASSUMPTIONS USED TO DETERMINE BENEFIT OBLIGATIONS AS OF MEASUREMENT DATE						
Discount rate	5.75%	5.56%	5.25%	6.75%	6.16%	6.25%
Rate of compensation increase	3.95%	3.61%	—	3.95%	3.60%	—

The amounts recognized in accumulated other comprehensive income (loss) as of December 31, 2009 and 2008, are as follows, in millions of dollars:

	PENSION BENEFITS PLANS IN THE UNITED STATES	PENSION BENEFITS PLANS OUTSIDE OF THE UNITED STATES	OTHER POSTRETIREMENT BENEFITS ALL PLANS	TOTAL
DECEMBER 31, 2009				
Prior service (cost) credit	\$ (5.7)	\$ (5.0)	\$ 19.7	\$ 9.0
Net loss	(579.9)	(174.0)	(23.9)	(777.8)
Total	\$ (585.6)	\$ (179.0)	\$ (4.2)	\$ (768.8)
DECEMBER 31, 2008				
Prior service (cost) credit	\$ (9.9)	\$ (5.4)	\$ 23.1	\$ 7.8

Net loss	(556.3)	(117.8)	(15.1)	(689.2)
Total	\$ (566.2)	\$ (123.2)	\$ 8.0	\$ (681.4)

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The amounts in accumulated other comprehensive income (loss) as of December 31, 2009, that are expected to be recognized as components of net periodic benefit cost (credit) during 2010 are as follows, in millions of dollars:

	PENSION BENEFITS PLANS IN THE UNITED STATES	PENSION BENEFITS PLANS OUTSIDE OF THE UNITED STATES	OTHER POSTRETIREMENT BENEFITS ALL PLANS	TOTAL
Prior service cost (credit)	\$.8	\$ 1.0	\$ (3.4)	\$ (1.6)
Net loss	38.6	5.9	1.5	46.0
Total	\$ 39.4	\$ 6.9	\$ (1.9)	\$ 44.4

The Corporation's overall investment strategy is to achieve an asset allocation of approximately 65% equity securities, 30% fixed income securities, and 5% alternative investments. The Corporation's overall investment strategy provides that, to the extent the actual allocation of plan assets differs from the targeted asset allocation by more than 5% for any category, plan assets are rebalanced. The Corporation further allocates assets within the equity securities and fixed income securities between investments that attempt to approximate the return achieved by broadly established investment indexes as well as investments that are actively managed and attempt to exceed the returns achieved by these broadly established investment indexes. Equity securities include investments in individual stocks and collective investment funds (referred to as mutual funds), including an allocation of those investments to U.S. equity securities, including large-cap, mid-cap and small-cap companies, and non-U.S. equity securities. Fixed income securities include U.S. Treasury securities, corporate bonds of companies from diversified industries, mortgaged-backed securities, and mutual funds. The Corporation does not believe there is a significant concentration risk within the plan assets given the diversification of asset types, fund strategies, and fund managers.

The three levels of input used to measure fair value are more fully described in Note 1 of Notes to the Consolidated Financial Statements. The fair values, by asset category, of assets of defined benefit pension plans in the United States at December 31, 2009, were as follows, in millions of dollars:

ASSET CATEGORY	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	DECEMBER 31, 2009 TOTAL
Cash and cash equivalents	\$.3	\$ 4.9	\$ —	\$ 5.2
Equity securities:				
U.S. companies	107.0	—	—	107.0
Mutual funds	163.1	193.6	—	356.7
Fixed income:				
U.S. treasury securities	—	43.4	—	43.4
Corporate bonds	—	43.2	—	43.2
Mortgage-backed securities	—	8.1	—	8.1
Mutual funds	—	93.8	8.0	101.8
Other fixed income	—	1.5	—	1.5
Alternative investments	—	—	23.1	23.1
Other	(10.8)	—	—	(10.8)
Total	\$ 259.6	\$ 388.5	\$ 31.1	\$ 679.2

The fair values, by asset category, of assets of defined benefit pension plans outside of the United States at December 31, 2009, were as follows, in millions of dollars:

ASSET CATEGORY	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	DECEMBER 31, 2009	TOTAL
Cash and cash equivalents	\$ 4.6	\$ —	\$ —	\$ 4.6	\$ 4.6
Equity securities:					
International companies	61.0	6.9	—	—	67.9
Mutual funds	218.3	—	—	—	218.3
Fixed income:					
Corporate bonds	—	69.7	—	—	69.7
Government issues	—	50.3	—	—	50.3
Other fixed income	—	4.7	—	—	4.7
Alternative investments	.3	—	6.7	—	7.0
Other	.2	—	—	—	.2
Total	\$ 284.4	\$ 131.6	\$ 6.7	\$ 422.7	\$ 422.7

The equity securities – mutual funds held by the pension plans in the United States include approximately 70% that invest in large-cap and small-cap U.S. companies, and 30% that invest in international equity securities. The equity securities – mutual funds held by the pension plans outside of the United States include approximately 50% that invest in U.K. equity securities and 50% that invest in other international equity securities.

The following table sets forth a summary of changes in the fair value of assets of the Corporation's defined benefit pension plans, determined based upon significant unobservable inputs (Level 3), for the year ended December 31, 2009, in millions of dollars:

	PENSION BENEFITS PLANS IN THE UNITED STATES	PENSION BENEFITS PLANS OUTSIDE OF THE UNITED STATES	TOTAL
Balance, beginning of year	\$ 37.4	\$ 20.7	\$ 58.1
Sales (net of purchases)	(4.7)	(11.5)	(16.2)
Transfers in (out)	—	(.2)	(.2)
Net realized and unrealized gain (loss)	(1.6)	(3.9)	(5.5)
Foreign exchange	—	1.6	1.6
Balance, end of year	\$ 31.1	\$ 6.7	\$ 37.8

The Corporation establishes its estimated long-term return on plan assets considering various factors, which include the targeted asset allocation percentages, historical returns, and expected future returns. Specifically, the factors are considered in the fourth quarter of the year preceding the year for which those assumptions are applied. The Corporation's weighted-average expected long-term return on plan assets assumption for defined benefit pension plans in the United States and outside of the United States will be 8.25% and 7.23%, respectively, in 2010.

The accumulated benefit obligation related to all defined benefit pension plans and information related to unfunded and underfunded defined benefit pension plans at the end of each year, in millions of dollars, follows:

	PENSION BENEFITS PLANS IN THE UNITED STATES		PENSION BENEFITS PLANS OUTSIDE OF THE UNITED STATES	
	2009	2008	2009	2008
All defined benefit plans:				
Accumulated benefit obligation	\$ 1,079.3	\$ 958.4	\$ 632.9	\$ 504.4
Unfunded defined benefit plans:				
Projected benefit obligation	108.8	95.3	125.5	119.4
Accumulated benefit obligation	97.3	84.5	116.3	110.5
Defined benefit plans with an accumulated benefit obligation in excess of the fair value of plan assets:				
Projected benefit obligation	1,138.4	1,006.1	659.6	522.3
Accumulated benefit obligation	1,079.3	952.2	632.9	496.1
Fair value of plan assets	679.2	582.7	422.7	334.6

The following table sets forth, in millions of dollars, benefit payments, which reflect expected future service, as appropriate, expected to be paid in the periods indicated:

	PENSION BENEFITS PLANS IN THE UNITED STATES	PENSION BENEFITS PLANS OUTSIDE OF THE UNITED STATES	OTHER POST- RETIREMENT BENEFITS ALL PLANS
2010	\$ 72.9	\$ 30.9	\$ 9.6
2011	72.9	32.0	9.2
2012	72.5	33.0	8.7
2013	94.7	34.3	8.3
2014	74.2	35.3	8.1
2015-2019	388.0	195.1	35.9

The net periodic cost (benefit) related to the defined benefit pension plans included the following components, in millions of dollars:

	PENSION BENEFITS PLANS IN THE UNITED STATES			PENSION BENEFITS PLANS OUTSIDE OF THE UNITED STATES		
	2009	2008	2007	2009	2008	2007
Service cost	\$ 19.3	\$ 22.6	\$ 26.0	\$ 7.7	\$ 12.3	\$ 14.7
Interest cost	65.9	63.7	62.5	33.5	40.9	39.6
Expected return on plan assets	(69.5)	(77.9)	(75.6)	(32.4)	(40.1)	(39.3)
Amortization of prior service cost	1.4	2.1	2.1	1.0	1.4	1.7
Amortization of net actuarial loss	18.4	15.9	26.3	—	4.7	12.9
Curtailment loss	5.3	—	—	—	1.1	—
Net periodic cost	\$ 40.8	\$ 26.4	\$ 41.3	\$ 9.8	\$ 20.3	\$ 29.6

WEIGHTED-AVERAGE ASSUMPTIONS

USED IN DETERMINING NET PERIODIC COST FOR YEAR:

Discount rate	6.75%	6.50%	6.00%	6.16%	5.67%	4.93%
Expected return on plan assets	8.25%	8.75%	8.75%	7.24%	7.49%	7.49%
Rate of compensation increase	4.00%	4.00%	3.95%	3.60%	3.65%	3.65%

The net periodic cost related to the defined benefit postretirement plans included the following components, in millions of dollars:

	2009	2008	2007
Service cost	\$.7	\$.8	\$.8
Interest cost	4.8	4.9	5.3
Amortization of prior service cost	(3.4)	(3.6)	(4.5)
Amortization of net actuarial loss	.8	.4	.2
Net periodic cost	\$ 2.9	\$ 2.5	\$ 1.8
Weighted-average discount rate used in determining net periodic cost for year	6.25%	6.00%	6.25%

The health care cost trend rate used to determine the postretirement benefit obligation was 7.70% for participants under 65 and 7.00% for participants 65 and older in 2009. This rate decreases gradually to an ultimate rate of 4.50% in 2028, and remains at that level thereafter. The trend rate is a significant factor in determining the amounts reported. A one-percentage-point change in these assumed health care cost trend rates would have the following effects, in millions of dollars:

ONE-PERCENTAGE-POINT	INCREASE	(DECREASE)
Effect on total of service and interest cost components	\$.2	\$ (.2)
Effect on postretirement benefit obligation	3.9	(3.6)

In 2010, the Corporation expects to make cash contributions of approximately \$67.0 million to its defined benefit pension plans. The amounts principally represent contributions required by funding regulations or laws or those related to unfunded plans necessary to fund current benefits. In addition, the Corporation expects to continue to make contributions in 2010 sufficient to fund benefits paid under its other postretirement benefit plans during that year, net of contributions by plan participants. The Corporation expects that such contributions will be approximately \$9.6 million in 2010.

Expense for defined contribution plans amounted to \$6.2 million, \$13.0 million, and \$12.4 million in 2009, 2008, and 2007, respectively.

NOTE 14: STOCKHOLDERS' EQUITY

The Corporation repurchased 247,198, 3,136,644 and 5,477,243 shares of its common stock during 2009, 2008 and 2007 at an aggregate cost of \$13.4 million, \$202.3 million and \$461.4 million, respectively.

To reflect the repurchases in its Consolidated Balance Sheet, the Corporation: (i) first, reduced its common stock by \$.1 million in 2009, \$1.6 million in 2008, and \$2.7 million in 2007, representing the aggregate par value of the shares repurchased; (ii) next, reduced capital in excess of par value by \$13.3 million in 2009, \$52.3 million in 2008, and \$82.0 million in 2007 – amounts which brought capital in excess of par value to zero during the quarters in 2008 and 2007 in which the repurchases occurred; and (iii) last, charged the residual of \$— million in 2009, \$148.4 million in 2008, and \$376.7 million in 2007, to retained earnings.

Accumulated other comprehensive income (loss) at the end of each year, in millions of dollars, included the following components:

	2009	2008
Foreign currency translation adjustment	\$ 32.1	\$ (65.4)
Net gain (loss) on derivative instruments, net of tax	2.6	55.9
Minimum pension liability adjustment, net of tax	(507.5)	(446.8)
	\$ (472.8)	\$ (456.3)

Foreign currency translation adjustments are not generally adjusted for income taxes as they relate to indefinite investments in foreign subsidiaries. The Corporation has designated certain intercompany loans and foreign currency derivative contracts as long-term investments in certain foreign subsidiaries. Net translation gains (losses) associated with these designated intercompany loans and foreign currency derivative contracts in the amounts of \$32.6 million and \$(151.6) million were recorded in the foreign currency translation adjustment in 2009 and 2008, respectively.

The minimum pension liability adjustments as of December 31, 2009 and 2008, are net of taxes of \$261.3 million and \$234.6 million, respectively.

NOTE 15: EARNINGS PER SHARE

The computations of basic and diluted earnings per share for each year were as follows:

(AMOUNTS IN MILLIONS EXCEPT PER SHARE DATA)	2009	2008	2007
Numerator:			
Net earnings	\$ 132.5	\$ 293.6	\$ 518.1
Dividends on stock-based plans	(.8)	(1.5)	(1.3)
Undistributed earnings allocable to stock-based plans	(1.5)	(3.0)	(5.1)
Numerator for basic and diluted earnings per share – net earnings available to common shareholders	\$ 130.2	\$ 289.1	\$ 511.7
Denominator:			
Denominator for basic earnings per share – weighted-average shares	59.6	59.8	64.3
Employee stock options	.3	.8	1.4
Denominator for diluted earnings per share – adjusted weighted-average shares and assumed conversions	59.9	60.6	65.7
Basic earnings per share	\$ 2.18	\$ 4.83	\$ 7.96
Diluted earnings per share	\$ 2.17	\$ 4.77	\$ 7.78

The following options to purchase shares of common stock were outstanding during each year, but were not included in the computation of diluted earnings per share because the effect would be anti-dilutive. The options indicated in the following table were anti-dilutive because the related exercise price was greater than the average market price of the common shares for the year.

	2009	2008	2007
Number of options (in millions)	4.8	2.6	1.6
Weighted-average exercise price	\$ 63.71	\$ 81.39	\$ 88.76

NOTE 16: STOCK-BASED COMPENSATION

The Corporation recognized total stock-based compensation costs of \$69.8 million, \$32.7 million, and \$25.9 million in 2009, 2008, and 2007, respectively. These amounts are reflected in the Consolidated Statement of Earnings in selling, general, and administrative expenses, and in 2009, merger-related expenses. As more fully described in Note 2, stock-based compensation expense in 2009 includes approximately \$42.3 million associated with the lapsing of the restriction on outstanding, but non-vested restricted stock and restricted stock units and the immediate vesting of certain stock options. The total income tax benefit for stock-based compensation arrangements was \$18.4 million, \$9.1 million, and \$7.9 million in 2009, 2008, and 2007, respectively.

At December 31, 2009, unrecognized stock-based compensation expense totaled \$20.1 million. The cost of these non-vested awards is expected to be recognized over a weighted-average period of 2.4 years. The Corporation's stock-based employee compensation plans are described below.

Stock Option Plans: Under various stock option plans, options to purchase common stock may be granted until 2013. Options are granted at fair market value at the date of grant, generally become exercisable in four equal installments beginning one year from the date of grant, and expire 10 years after the date of grant. The plans permit the issuance of either incentive stock options or non-qualified stock options.

Under all stock option plans, there were 597,964 shares of common stock reserved for future grants as of December 31, 2009. Transactions are summarized as follows:

	STOCK OPTIONS	WEIGHTED- AVERAGE EXERCISE PRICE
Outstanding at December 31, 2006	6,036,012	\$ 55.68
Granted	790,470	88.38
Exercised	(1,406,664)	49.75
Forfeited	(154,788)	80.80
Outstanding at December 31, 2007	5,265,030	61.43
Granted	548,020	67.11
Exercised	(163,728)	51.74
Forfeited	(149,128)	83.80
Outstanding at December 31, 2008	5,500,194	61.68
Granted	795,940	38.28
Exercised	(1,342,211)	42.04
Forfeited	(255,799)	68.13
Outstanding at December 31, 2009	4,698,124	\$ 62.97
Options expected to vest at December 31, 2009	4,623,002	\$ 62.94
Options exercisable at December 31, 2009	3,800,872	\$ 63.08

As of December 31, 2009, the weighted average remaining contractual term was 5.9 years, 5.8 years, and 5.3 years for options outstanding, options expected to vest, and options exercisable, respectively. As of December 31, 2009, the aggregate intrinsic value was \$51.7 million, \$51.0 million, and \$41.6 million for options outstanding, options expected to vest, and options exercisable. These preceding aggregate intrinsic values represent the total pretax intrinsic value (the difference between the Corporation's closing stock price on the last trading day of 2009 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2009. These amounts will change based on the fair market value of the Corporation's stock.

Cash received from option exercises in 2009, 2008, and 2007, was \$57.4 million, \$8.5 million, and \$70.0 million, respectively. The Corporation has recognized \$5.2 million, \$.1 million, and \$13.3 million, as a financing cash flow, within the caption "Issuance of common stock", for the years ended December 31, 2009, 2008, and 2007, respectively, associated with the cash flows resulting from the tax benefits of tax deductions in excess of the compensation cost recognized for share-based arrangements.

The total intrinsic value of options exercised in 2009, 2008, and 2007, was \$28.9 million, \$2.5 million, and \$59.0 million, respectively. The actual tax benefit realized for the tax deduction from option exercises totaled \$9.8 million, \$.9 million, and \$20.4 million in 2009, 2008, and 2007, respectively.

The weighted-average grant-date fair values of options granted during 2009, 2008, and 2007, were \$11.55 per share, \$17.85 per share, and \$22.98 per share, respectively. The fair value of options granted during 2009, 2008, and 2007 were determined using the Black-Scholes option valuation model with the following weighted-average assumptions:

	2009	2008	2007
Expected life in years	6.0	6.0	5.5
Interest rate	2.23%	3.30%	4.56%
Volatility	35.4%	30.7%	25.3%
Dividend yield	2.00%	2.50%	1.90%

The Corporation has a share repurchase program that was implemented based on the belief that its shares were undervalued and to manage share growth resulting from option exercises. At December 31, 2009, the Corporation has remaining authorization from its Board of Directors to repurchase an additional 3,777,145 shares of its common stock. Under the terms of the definitive merger agreement to create Stanley Black & Decker, absent the consent of The Stanley Works, the Corporation has agreed not to repurchase shares of its common stock pending consummation of the merger.

Restricted Stock Plans: Under two restricted stock plans, restricted stock or restricted stock units may be granted until 2018. Under these plans, eligible employees are awarded restricted stock or restricted stock units of the Corporation's common stock. Restrictions on awards generally expire from three to four years after issuance, subject to continuous employment and certain other conditions. Transactions are summarized as follows:

	NUMBER OF SHARES	WEIGHTED-AVERAGE FAIR VALUE AT GRANT DATE
Non-vested at December 31, 2006	618,038	\$ 76.32
Granted	266,537	88.53
Forfeited	(46,425)	81.04
Vested	(157,056)	56.10
Non-vested at December 31, 2007	681,094	85.43
Granted	347,175	66.62
Forfeited	(53,592)	82.20
Vested	(50,263)	56.16
Non-vested at December 31, 2008	924,414	80.15
Granted	584,560	38.29
Forfeited	(54,005)	74.16
Vested	(1,115,269)	63.85
Non-vested at December 31, 2009	339,700	\$ 62.57

The fair value of the shares vested during 2009, 2008, and 2007 were \$63.1 million, \$3.3 million, and \$14.5 million, respectively.

Under all restricted stock plans, 647,891 shares of common stock were reserved for future grants at December 31, 2009.

Other Stock-based Compensation Plans: The Corporation has an Executive Long-Term Incentive/Retention Plan. As more fully described in Note 2, the terms of the Executive Long-Term Incentive/Retention Plan were amended during 2009 whereby the previous adjustment to cash payouts under the plan, based upon upward or downward movements in the Corporation's average common stock price as compared to \$67.78, was removed. Prior to this amendment the awards were payable in cash but indexed to the fair market value of the Corporation's common stock. Vesting of the awards generally occurs three years after the awards are made. Awards under

this plan would vest upon consummation of the proposed merger.

The Corporation also has a Performance Equity Plan (PEP) under which awards payable in the Corporation's common stock are made. Vesting of the awards, which can range from 0% to 150% of the initial award, is based on pre-established financial performance measures during a two-year performance period. The fair value of the shares that vested during 2009, 2008, and 2007 was \$— million, \$.1 million, and \$4.4 million, respectively. During 2007, the Corporation granted 41,880 performance shares under the PEP. During 2009 and 2008, there were no performance shares granted by the Corporation under the PEP. At December 31, 2009 and 2008, there were no performance shares outstanding under the PEP.

NOTE 17: BUSINESS SEGMENTS AND GEOGRAPHIC INFORMATION

The Corporation has elected to organize its businesses based principally upon products and services. In certain instances where a business does not have a local presence in a particular country or geographic region, however, the Corporation has assigned responsibility for sales of that business's products to one of its other businesses with a presence in that country or region.

The Corporation operates in three reportable business segments: Power Tools and Accessories, Hardware and Home Improvement, and Fastening and Assembly Systems. The Power Tools and Accessories segment has worldwide responsibility for the manufacture and sale of consumer and industrial power tools and accessories, lawn and garden products, and electric cleaning, automotive, lighting, and household products, as well as for product service. In addition, the Power Tools and Accessories segment has responsibility for the sale of security hardware to customers in Mexico, Central America, the Caribbean, and South America; for the sale of plumbing products to customers outside the United States and Canada; and for sales of household products. The Hardware and Home Improvement segment has worldwide responsibility for the manufacture and sale of security hardware (except for the sale of security hardware in Mexico, Central America, the Caribbean, and South America). The Hardware and Home Improvement segment also has responsibility for the manufacture of plumbing products and for the sale of plumbing products to customers in the United States and Canada. The Fastening and Assembly Systems segment has worldwide responsibility for the manufacture and sale of fastening and assembly systems. On September 9, 2008, the Corporation acquired Spiralock Corporation (Spiralock), a component of the Fastening and Assembly Systems segment.

Business Segments (Millions of Dollars)

Year Ended December 31, 2009	REPORTABLE BUSINESS SEGMENTS				CURRENCY TRANSLATION ADJUSTMENTS	CORPORATE, ADJUSTMENT, & ELIMINATIONS	CONSOLIDATED
	POWER TOOLS & ACCESSORIES	HARDWARE & HOME IMPROVEMENT	FASTENING & ASSEMBLY SYSTEMS	TOTAL			
Sales to unaffiliated customers	\$ 3,471.5	\$ 755.4	\$ 536.6	\$ 4,763.5	\$ 11.6	—	\$ 4,775.1
Segment profit (loss) (for Consolidated, operating income before merger-related expenses and restructuring and exit costs)	257.3	76.9	39.5	373.7	13.5	(67.1)	320.1
Depreciation and amortization	85.1	18.8	22.0	125.9	.6	1.5	128.0
Income from equity method investees	21.3	—	—	21.3	—	(1.9)	19.4
Capital expenditures	41.3	13.2	7.4	61.9	.3	.9	63.1
Segment assets (for Consolidated, total assets)	2,108.2	503.9	388.8	3,000.9	85.9	2,408.4	5,495.2
Investment in equity method investees	28.1	—	.6	28.7	—	(1.7)	27.0
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Year Ended December 31, 2008							
Sales to unaffiliated customers	\$ 4,286.6	\$ 891.6	\$ 703.2	\$ 5,881.4	\$ 204.7	—	\$ 6,086.1
Segment profit (loss) (for Consolidated, operating income before restructuring and exit costs)	317.4	75.8	106.0	499.2	29.4	(51.8)	476.8
Depreciation and amortization	89.9	20.6	21.6	132.1	3.4	1.1	136.6
Income from equity method investees	12.0	—	—	12.0	—	(.9)	11.1
Capital expenditures	56.6	16.5	18.6	91.7	2.3	4.8	98.8
Segment assets (for Consolidated, total assets)	2,492.6	571.7	433.1	3,497.4	(11.8)	1,697.7	5,183.3
Investment in equity method investees	26.8	—	.5	27.3	—	(1.7)	25.6
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Year Ended December 31, 2007	\$ 4,754.8	\$ 1,001.7	\$ 720.7	\$ 6,477.2	\$ 86.0	—	\$ 6,563.2

Sales to unaffiliated customers							
Segment profit (loss) (for Consolidated, operating income before restructuring and exit costs)	482.2	113.6	113.9	709.7	(2.3)	(106.2)	601.2
Depreciation and amortization	96.7	22.8	20.5	140.0	.5	2.9	143.4
Income from equity method investees	12.7	—	—	12.7	—	(1.0)	11.7
Capital expenditures	65.0	20.8	22.2	108.0	.5	7.9	116.4
Segment assets (for Consolidated, total assets)	2,654.2	653.7	406.6	3,714.5	135.5	1,560.9	5,410.9
Investment in equity method investees	15.6	—	.5	16.1	—	(1.7)	14.4

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The profitability measure employed by the Corporation and its chief operating decision maker for making decisions about allocating resources to segments and assessing segment performance is segment profit (for the Corporation on a consolidated basis, operating income before restructuring and exit costs). In general, segments follow the same accounting policies as those described in Note 1, except with respect to foreign currency translation and except as further indicated below. The financial statements of a segment's operating units located outside of the United States, except those units operating in highly inflationary economies, are generally measured using the local currency as the functional currency. For these units located outside of the United States, segment assets and elements of segment profit are translated using budgeted rates of exchange. Budgeted rates of exchange are established annually and, once established, all prior period segment data is restated to reflect the current year's budgeted rates of exchange. The amounts included in the preceding table under the captions "Reportable Business Segments" and "Corporate, Adjustments, & Eliminations" are reflected at the Corporation's budgeted rates of exchange for 2008. The amounts included in the preceding table under the caption "Currency Translation Adjustments" represent the difference between consolidated amounts determined using those budgeted rates of exchange and those determined based upon the rates of exchange applicable under accounting principles generally accepted in the United States.

Segment profit excludes interest income and expense, non-operating income and expense, adjustments to eliminate intercompany profit in inventory, and income tax expense. In addition, segment profit excludes merger-related expenses and restructuring and exit costs. In determining segment profit, expenses relating to pension and other postretirement benefits are based solely upon estimated service costs. Corporate expenses, as well as certain centrally managed expenses, including expenses related to share-based compensation, are allocated to each reportable segment based upon budgeted amounts. While sales and transfers between segments are accounted for at cost plus a reasonable profit, the effects of intersegment sales are excluded from the computation of segment profit. Intercompany profit in inventory is excluded from segment assets and is recognized as a reduction of cost of goods sold by the selling segment when the related inventory is sold to an unaffiliated customer. Because the Corporation compensates the management of its various businesses on, among other factors, segment profit, the Corporation may elect to record certain segment-related expense items of an unusual non-recurring nature in consolidation rather than reflect such items in segment profit. In addition, certain segment-related items of income or expense may be recorded in consolidation in one period and transferred to the various segments in a later period.

Segment assets exclude pension and tax assets, intercompany profit in inventory, intercompany receivables, and goodwill associated with the Corporation's acquisition of Emhart Corporation in 1989.

The reconciliation of segment profit to consolidated earnings before income taxes for each year, in millions of dollars, is as follows:

	2009	2008	2007
Segment profit for total reportable business segments	\$ 373.7	\$ 499.2	\$ 709.7
Items excluded from segment profit:			
Adjustment of budgeted foreign exchange rates to actual rates	13.5	29.4	(2.3)
Depreciation of Corporate property	(1.5)	(1.1)	(1.4)
Adjustment to businesses' postretirement benefit expenses booked in consolidation	(12.0)	(3.6)	(19.9)
Other adjustments booked in consolidation directly related to reportable business segments	(.3)	(4.9)	8.3
Amounts allocated to businesses in arriving at segment profit in excess of (less than) Corporate center operating expenses, eliminations, and other amounts identified above	(53.3)	(42.2)	(93.2)
Operating income before merger-related expenses and restructuring and exit costs	320.1	476.8	601.2
Merger-related expenses	58.8	—	—
Restructuring and exit costs	11.9	54.7	19.0
Operating income	249.4	422.1	582.2
Interest expense, net of interest income	83.8	62.4	82.3
Other (income) expense	(4.8)	(5.0)	2.3
Earnings before income taxes	\$ 170.4	\$ 364.7	\$ 497.6

The reconciliation of segment assets to consolidated total assets at the end of each year, in millions of dollars, is as follows:

	2009	2008	2007
Segment assets for total reportable business segments	\$ 3,000.9	\$ 3,497.4	\$ 3,714.5
Items excluded from segment assets:			
Adjustment of budgeted foreign exchange rates to actual rates	85.9	(11.8)	135.5
Goodwill	636.6	633.8	640.5
Pension assets	—	17.5	76.6

Other Corporate assets	1,771.8	1,046.4	843.8
	\$ 5,495.2	\$ 5,183.3	\$ 5,410.9

Other Corporate assets principally consist of cash and cash equivalents, tax assets, property, and other assets.

Sales to The Home Depot, a customer of the Power Tools and Accessories and Hardware and Home Improvement segments, accounted for approximately \$.8 billion, \$1.0 billion, and \$1.3 billion of the Corporation's consolidated sales for the years ended December 31, 2009, 2008, and 2007, respectively. Sales to Lowe's Companies, Inc., a customer of the Power Tools and Accessories and Hardware and Home Improvement segments, accounted for approximately \$.7 billion, \$.8 billion, and \$.9 billion of the Corporation's consolidated sales for the years ended December 31, 2009, 2008, and 2007, respectively.

The composition of the Corporation's sales by product group for each year, in millions of dollars, is set forth below:

	2009	2008	2007
Consumer and industrial power tools and product service	\$ 2,449.2	\$ 3,236.1	\$ 3,537.3
Lawn and garden products	312.1	377.9	430.6
Consumer and industrial accessories	392.6	452.0	479.2
Cleaning, automotive, lighting, and household products	266.7	321.0	345.3
Security hardware	552.5	649.9	730.9
Plumbing products	248.0	309.2	323.3
Fastening and assembly systems	554.0	740.0	716.6
	\$ 4,775.1	\$ 6,086.1	\$ 6,563.2

The Corporation markets its products and services in over 100 countries and has manufacturing sites in 12 countries. Other than in the United States, the Corporation does not conduct business in any country in which its sales in that country exceed 10% of consolidated sales. Sales are attributed to countries based on the location of customers. The composition of the Corporation's sales to unaffiliated customers between those in the United States and those in other locations for each year, in millions of dollars, is set forth below:

	2009	2008	2007
United States	\$ 2,705.5	\$ 3,358.6	\$ 3,930.2
Canada	275.7	382.3	361.8
North America	2,981.2	3,740.9	4,292.0
Europe	1,076.7	1,516.0	1,568.0
Other	717.2	829.2	703.2
	\$ 4,775.1	\$ 6,086.1	\$ 6,563.2

The composition of the Corporation's property, plant, and equipment between those in the United States and those in other countries as of the end of each year, in millions of dollars, is set forth below:

	2009	2008	2007
United States	\$ 195.4	\$ 217.7	\$ 259.6
Mexico	71.5	98.3	106.8
Other countries	206.5	211.9	229.8
	\$ 473.4	\$ 527.9	\$ 596.2

NOTE 18: LEASES

The Corporation leases certain service centers, offices, warehouses, manufacturing facilities, and equipment. Generally, the leases carry renewal provisions and require the Corporation to pay maintenance costs. Rental payments may be adjusted for increases in taxes and insurance above specified amounts. Rental expense for 2009, 2008, and 2007 amounted to \$96.7 million, \$104.6 million, and \$103.6 million, respectively. Capital leases were immaterial in amount. Future minimum payments under non-cancelable operating leases with initial or remaining terms of more than one year as of December 31, 2009, in millions of dollars, were as follows:

2010	\$ 65.6
2011	47.6
2012	36.0
2013	20.4
2014	14.2
Thereafter	12.1
	\$ 195.9

NOTE 19: RESTRUCTURING ACTIONS

A summary of restructuring activity during the three years ended December 31, 2009, in millions of dollars, is set forth below:

	SEVERANCE BENEFITS	WRITE-DOWN TO FAIR VALUE LESS COSTS TO SELL OF CERTAIN LONG-LIVED ASSETS	OTHER CHARGES	TOTAL
Restructuring reserve at December 31, 2006	\$ 2.8	\$ —	\$.4	\$ 3.2
Reserves established in 2007	14.8	4.0	.2	19.0
Utilization of reserves:				
Cash	(1.0)	—	—	(1.0)
Non-cash	—	(4.0)	—	(4.0)
Foreign currency translation	.1	—	—	.1
Restructuring reserve at December 31, 2007	16.7	—	.6	17.3
Reserves established in 2008	48.3	3.7	2.7	54.7
Utilization of reserves:				
Cash	(24.9)	—	(.4)	(25.3)
Non-cash	—	(3.7)	(.9)	(4.6)
Foreign currency translation	(4.5)	—	—	(4.5)
Restructuring reserve at December 31, 2008	35.6	—	2.0	37.6
Reserves established in 2009	12.6	.4	1.2	14.2
Reversal of reserves	(1.8)	—	(.5)	(2.3)
Utilization of reserves:				
Cash	(37.9)	—	(1.9)	(39.8)
Non-cash	—	(.4)	—	(.4)
Foreign currency translation	1.2	—	—	1.2
Restructuring reserve at December 31, 2009	\$ 9.7	\$ —	\$.8	\$ 10.5

During 2009, the Corporation recognized \$14.2 million of pre-tax restructuring and exit costs related to actions taken in its Power Tools and Accessories, Hardware and Home Improvement, and Fastening and Assembly segments. The \$14.2 million charge recognized during 2009 was offset; however, by the reversal of \$1.8 million of severance and \$.5 million of other accruals established as part of previously provided restructuring reserves that were no longer required. The 2009 restructuring charge related to the elimination of direct and indirect manufacturing positions as well as selling, general, and administrative positions. A severance benefits accrual of \$12.6 million was included in the restructuring charge, of which \$8.9 million related to the Power Tools and Accessories segment, \$2.3 million related to the Fastening and Assembly Systems segment and \$1.4 million related to the Hardware and Home Improvement segment. The severance benefits accrual included the elimination of approximately 1,500 positions including approximately 1,200 manufacturing related positions. The restructuring charge also included a \$.4 million write-down to fair value of certain long-lived assets for the Hardware and Home Improvement segment. In addition, the restructuring charge reflected \$.3 million and \$.9 million related to the early termination of lease agreements by the Power Tools and Accessories segment and Fastening and Assembly Systems segment, respectively, necessitated by the restructuring actions.

During 2008, the Corporation recorded a restructuring charge of \$54.7 million, reflecting actions to reduce its manufacturing cost base and selling, general, and administrative expenses. The principal components of this restructuring charge related to the elimination of direct and indirect manufacturing positions as well as selling, general, and administrative positions. As a result, a severance benefits accrual of \$48.3 million was included in the restructuring charge, of which \$36.4 million related to the Power Tools and Accessories segment, \$5.4 million related to the Hardware and Home Improvement segment, and \$6.0 million related to the Fastening and Assembly Systems segment, as well as \$.5 million related to certain Corporate functions. The severance benefits accrual included the elimination of approximately 2,300 positions including approximately 1,400 manufacturing-related positions. The Corporation estimates that, as a result of increases in manufacturing employee headcount in other facilities, approximately 200 replacement positions will be filled, yielding a net total of approximately 2,100 positions eliminated as a result of the 2008 restructuring actions. The restructuring charge also included a \$3.7 million write-down to fair value of certain long-lived assets for the Power Tools and Accessories segment (\$.3.0 million) and Hardware and Home Improvement segment (\$.7 million), which were either held for sale or idled in preparation for disposal. As part of these restructuring actions, the Power Tools and Accessories segment closed its manufacturing facility in Decatur, Arkansas, and transferred production to another facility. The actions to reduce the Corporation's manufacturing cost base in its Hardware and Home Improvement segment included the transfer of production from a facility in Mexico to a facility in China. The restructuring charge also reflected \$1.8 million related to the early termination of a lease agreement by the Power Tools and Accessories segment necessitated by restructuring actions. The restructuring charge also included a \$.9 million non-cash curtailment charge associated with the restructuring actions.

During 2007, the Corporation recorded a restructuring charge of \$19.0 million. The \$19.0 million was net of \$3.4 million representing the excess of proceeds received on the sale of a manufacturing facility which will be closed as part of the restructuring actions, over its carrying value. The 2007 restructuring charge reflected actions to reduce the Corporation's manufacturing cost base and selling, general and administrative expenses in its Power Tools and Accessories and Hardware and Home Improvement segments. The restructuring actions to reduce the Corporation's manufacturing cost base in the Power Tools and Accessories segment included the closure of one facility, transferring production to other facilities, and outsourcing certain manufactured items. Actions to reduce the Corporation's manufacturing cost base in the Hardware and Home Improvement segment primarily related to optimization of its North American finishing operations.

The principal component of the 2007 restructuring charge related to the elimination of manufacturing and selling, general and administrative positions. As a result, a severance benefit accrual of \$14.8 million, related to the Power Tools and Accessories segment (\$12.4 million) and the Hardware and Home Improvement segment (\$2.4 million), was included in the restructuring charge. The severance benefits accrual included the elimination of approximately 650 positions. The Corporation estimated that, as a result of increases in manufacturing employee headcount in other facilities, approximately 100 replacement positions were filled, yielding a net total of approximately 550 positions eliminated as a result of the 2007 restructuring actions. The restructuring reserve also included a \$.7.4 million write-down to fair value of certain long-lived assets of the Hardware and Home Improvement segment, which were either held for sale or have been idled in preparation for disposal as of December 31, 2007.

During 2009, 2008, and 2007 the Corporation paid severance and other exit costs related to restructuring charges taken of \$39.8 million, \$25.3 million and \$1.0 million, respectively.

Of the remaining \$10.5 million restructuring accrual at December 31, 2009, \$7.0 million relates to the Power Tools and Accessories segment, \$2.4 million relates to the Fastening and Assembly Systems segment and \$1.1 million relates to the Hardware and Home Improvement segment. The Corporation anticipates that the remaining actions contemplated under that \$10.5 million accrual will be completed during

2010. As of December 31, 2009, the carrying value of long-lived assets held for sale was not significant.

NOTE 20: OTHER (INCOME) EXPENSE

Other (income) expense was \$(4.8) million in 2009, \$(5.0) million in 2008, and \$2.3 million in 2007.

Other (income) expense for the year ended December 31, 2009, includes a \$6.0 million settlement on an insurance settlement related to an environmental matter. Other (income) expense for the year ended December 31, 2008, benefited from a gain on the sale of a non-operating asset.

NOTE 21: LITIGATION AND CONTINGENT LIABILITIES

The Corporation is involved in various lawsuits in the ordinary course of business. These lawsuits primarily involve claims for damages arising out of the use of the Corporation's products and allegations of patent and trademark infringement. The Corporation also is involved in litigation and administrative proceedings involving employment matters and commercial disputes. Some of these lawsuits include claims for punitive as well as compensatory damages.

The Corporation, using current product sales data and historical trends, actuarially calculates the estimate of its exposure for product liability. The Corporation is insured for product liability claims for amounts in excess of established deductibles and accrues for the estimated liability up to the limits of the deductibles. All other claims and lawsuits are handled on a case-by-case basis. The Corporation's estimate of the costs associated with product liability claims, environmental exposures, and other legal proceedings is accrued if, in management's judgment, the likelihood of a loss is probable and the amount of the loss can be reasonably estimated.

The Corporation also is party to litigation and administrative proceedings with respect to claims involving the discharge of hazardous substances into the environment. Some of these assert claims for damages and liability for remedial investigations and clean-up costs with respect to sites that have never been owned or operated by the Corporation but at which the Corporation has been identified as a potentially responsible party. Other matters involve current and former manufacturing facilities.

The EPA and the Santa Ana Regional Water Quality Control Board have each initiated administrative proceedings against the Corporation and certain of the Corporation's current or former affiliates alleging that the Corporation and numerous other defendants are responsible to investigate and remediate alleged groundwater contamination in and adjacent to a 160-acre property located in Rialto, California. The United States of America, the cities of Colton and Rialto, and certain other PRPs have also initiated lawsuits (and/or asserted cross and counter-claims against the Corporation and certain of the Corporation's former or current affiliates) that are currently pending in the United States District Court for the Central District of California (collectively, the "Litigation"). In the Litigation, the various parties allege that the Corporation is liable under CERCLA, the Resource Conservation and Recovery Act, and various state laws for the discharge or release of hazardous substances into the environment and the contamination caused by those alleged releases. The Corporation, in turn, through certain of the aforementioned affiliates, has also initiated a lawsuit in the United States District Court for the Central District of California alleging that various other PRPs are liable for the alleged contamination at issue. The City of Colton also has a companion case in California State court, which is currently stayed for all purposes. Certain defendants in that case have cross-claims against other defendants and have asserted claims against the State of California. The administrative proceedings and the lawsuits generally allege that West Coast Loading Corporation (WCLC), a defunct company that operated in Rialto between 1952 and 1957, and an as yet undefined number of other defendants are responsible for the release of perchlorate and solvents into the groundwater basin, and that the Corporation and certain of the Corporation's current or former affiliates are liable as a "successor" of WCLC. The Corporation believes that neither the facts nor the law support an allegation that the Corporation is responsible for the contamination and is vigorously contesting these claims.

The EPA has provided an affiliate of the Corporation a "Notice of Potential Liability" related to environmental contamination found at the Centredale Manor Restoration Project Superfund site, located in North Providence, Rhode Island. The EPA has discovered dioxin, polychlorinated biphenyls, and pesticide contamination at this site. The EPA alleged that an affiliate of the Corporation is liable for site cleanup costs under CERCLA as a successor to the liability of Metro-Atlantic, Inc., a former operator at the site, and demanded reimbursement of the EPA's costs related to this site. The EPA, which considers the Corporation to be the primary potentially responsible party (PRP) at the site, is expected to release a draft Feasibility Study Report, which will identify and evaluate remedial alternatives for the site, in 2010. At December 31, 2009, the estimated remediation costs related to this site (including the EPA's past costs as well as costs of additional investigation, remediation, and related costs, less escrowed funds contributed by PRPs who have reached settlement agreements with the EPA), which the Corporation considers to be probable and can be reasonably estimable, range from approximately \$50.5 million to approximately \$100 million, with no amount within that range representing a more likely outcome. The Corporation's reserve for this matter at December 31, 2009 is \$50.5 million. During 2007, the Corporation increased its reserve for this environmental remediation matter by \$31.7 million to \$48.7 million, reflecting the probability that the Corporation will be identified as the principal financially viable PRP upon issuance of the EPA draft Feasibility Study Report. The Corpo-

ration has not yet determined the extent to which it will contest the EPA's claims with respect to this site. Further, to the extent that the Corporation agrees to perform or finance remedial activities at this site, it will seek participation or contribution from additional PRPs and insurance carriers. As the specific nature of the environmental remediation activities that may be mandated by the EPA at this site have not yet been determined, the ultimate remedial costs associated with the site may vary from the amount accrued by the Corporation at December 31, 2009.

As of December 31, 2009, the Corporation's aggregate probable exposure with respect to environmental liabilities, for which accruals have been established in the consolidated financial statements, was \$102.1 million. These accruals are reflected in other current liabilities and other long-term liabilities in the Consolidated Balance Sheet.

Total future costs for environmental remediation activities will depend upon, among other things, the identification of any additional sites, the determination of the extent of contamination at each site, the timing and nature of required remedial actions, the technologies available, the nature and terms of cost sharing arrangements with other PRPs, the existing legal requirements and nature and extent of future environmental laws, and the determination of the Corporation's liability at each site. The recognition of additional losses, if and when they may occur, cannot be reasonably predicted.

In the opinion of management, amounts accrued for exposures relating to product liability claims, environmental matters, income tax matters, and other legal proceedings are adequate and, accordingly, the ultimate resolution of these matters is not expected to have a material adverse effect on the Corporation's consolidated financial statements. As of December 31, 2009, the Corporation had no known probable but inestimable exposures relating to product liability claims, environmental matters, income tax matters, or other legal proceedings that are expected to have a material adverse effect on the Corporation. There can be no assurance, however, that unanticipated events will not require the Corporation to increase the amount it has accrued for any matter or accrue for a matter that has not been previously accrued because it was not considered probable. While it is possible that the increase or establishment of an accrual could have a material adverse effect on the financial results for any particular fiscal quarter or year, in the opinion of management there exists no known potential exposure that would have a material adverse effect on the financial condition or on the financial results of the Corporation beyond any such fiscal quarter or year.

NOTE 22: QUARTERLY RESULTS (UNAUDITED)

(DOLLARS IN MILLIONS EXCEPT PER SHARE DATA) YEAR ENDED DECEMBER 31, 2009	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Sales	\$ 1,073.7	\$ 1,191.4	\$ 1,208.7	\$ 1,301.3
Gross margin	340.8	372.2	400.3	473.2
Net earnings	4.9	38.3	55.4	33.9
Net earnings per common share–basic	\$.08	\$.63	\$.91	\$.56
Net earnings per common share–diluted	\$.08	\$.63	\$.91	\$.55

YEAR ENDED DECEMBER 31, 2008	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Sales	\$ 1,495.8	\$ 1,641.7	\$ 1,570.8	\$ 1,377.8
Gross margin	517.5	537.2	508.9	434.8
Net earnings	67.4	96.7	85.8	43.7
Net earnings per common share–basic	\$ 1.10	\$ 1.58	\$ 1.43	\$.72
Net earnings per common share–diluted	\$ 1.08	\$ 1.56	\$ 1.41	\$.72

As more fully described in Note 2, net earnings for the fourth quarter of 2009, included a pre-tax charge of \$58.8 million (\$42.6 million after taxes) associated with the Corporation's proposed merger with The Stanley Works. As more fully described in Note 19, net earnings for the first quarter of 2009 included a pre-tax restructuring charge of \$11.9 million (\$8.4 million after taxes).

As more fully described in Note 19, net earnings for the first, third, and fourth quarter of 2008 included a pre-tax restructuring charge of \$18.3 million, \$15.6 million and \$20.8 million, respectively (\$12.2 million, \$12.6 million, and \$14.8 million, respectively, after taxes).

Earnings per common share are computed independently for each of the quarters presented. Therefore, the sum of the quarters may not be equal to the full year earnings per share.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON CONSOLIDATED FINANCIAL STATEMENTS**

To the Stockholders and Board of Directors
of The Black & Decker Corporation and Subsidiaries:

We have audited the accompanying consolidated balance sheet of The Black & Decker Corporation and Subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Black & Decker Corporation and Subsidiaries at December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Corporation, effective December 31, 2008, adopted a new accounting standard that required the Corporation to change the measurement date for defined benefit pension and postretirement plan assets and liabilities to coincide with its year-end.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Black & Decker Corporation and Subsidiaries' internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2010 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG, LLP

Baltimore, Maryland

February 19, 2010

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, the Corporation evaluated the effectiveness of the design and operation of the Corporation's disclosure controls and procedures as of December 31, 2009. Based upon that evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are effective.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, the Corporation evaluated the effectiveness of the design and operation of its internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that the Corporation's internal control over financial reporting was effective as of December 31, 2009.

Ernst & Young LLP, the Corporation's independent registered public accounting firm, audited the effectiveness of internal control over financial reporting and, based on that audit, issued the report set forth on the following page.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Corporation's internal controls over financial reporting during the quarterly period ended December 31, 2009, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Stockholders and Board of Directors
of The Black & Decker Corporation and Subsidiaries:

We have audited The Black & Decker Corporation and Subsidiaries' internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Black & Decker Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, The Black & Decker Corporation and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of The Black & Decker Corporation and Subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009, and our report dated February 19, 2010 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG, LLP

Baltimore, Maryland
February 19, 2010

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required under this Item is hereby incorporated by reference from the Corporation's definitive proxy statement or will be contained in an amendment to this Form 10-K.

Information required under this Item with respect to Executive Officers of the Corporation is included in Item 1 of Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION

Information required under this Item is hereby incorporated by reference from the Corporation's definitive proxy statement or will be contained in an amendment to this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required under this Item is hereby incorporated by reference from the Corporation's definitive proxy statement or will be contained in an amendment to this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required under this Item is hereby incorporated by reference from the Corporation's definitive proxy statement or will be contained in an amendment to this Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required under this Item is hereby incorporated by reference from the Corporation's definitive proxy statement or will be contained in an amendment to this Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) List of Financial Statements, Financial Statement Schedules, and Exhibits

(1) LIST OF FINANCIAL STATEMENTS

The following consolidated financial statements of the Corporation and its subsidiaries are included in Item 8 of Part II of this report:

Consolidated Statement of Earnings – years ended December 31, 2009, 2008, and 2007.

Consolidated Balance Sheet – December 31, 2009 and 2008.

Consolidated Statement of Stockholders' Equity – years ended December 31, 2009, 2008, and 2007.

Consolidated Statement of Cash Flows – years ended December 31, 2009, 2008, and 2007.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements.

(2) LIST OF FINANCIAL STATEMENT SCHEDULES

The following financial statement schedules of the Corporation and its subsidiaries are included herein:

Schedule II – Valuation and Qualifying Accounts and Reserves.

All other schedules for which provision is made in the applicable accounting regulations of the Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(3) LIST OF EXHIBITS

The following exhibits are either included in this report or incorporated herein by reference as indicated below:

Exhibit 2

Agreement and Plan of Merger, dated as of November 2, 2009, among the Corporation, The Stanley Works, and Blue Jay Acquisition Corp., included in the Corporation's Current Report on Form 8-K filed with the Commission on November 3, 2009, is incorporated herein by reference.

Exhibit 3(a)

Articles of Restatement of the Charter of the Corporation, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 29, 1997, are incorporated herein by reference.

Exhibit 3(b)

Bylaws of the Corporation, as amended, included in the Corporation's Current Report on Form 8-K filed with the Commission on November 3, 2009, are incorporated herein by reference.

Exhibit 4(a)

Indenture, dated as of June 26, 1998, by and among Black & Decker Holdings Inc., as Issuer, the Corporation, as Guarantor, and The First National Bank of Chicago, as Trustee, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 28, 1998, is incorporated herein by reference.

Exhibit 4(b)

Indenture, dated as of June 5, 2001, between the Corporation and The Bank of New York, as Trustee, included in the Corporation's Registration Statement on Form S-4 (Reg. No. 333-64790), is incorporated herein by reference.

Exhibit 4(c)

Indenture, dated as of October 18, 2004, between the Corporation and The Bank of New York, as Trustee, included in the Corporation's Current Report on Form 8-K filed with the Commission on October 20, 2004, is incorporated herein by reference.

Exhibit 4(d)

Indenture, dated as of November 16, 2006, between the Corporation and The Bank of New York, as Trustee, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2006, is incorporated herein by reference.

Exhibit 4(e)

First Supplemental Indenture, dated as of November 16, 2006, between the Corporation and The Bank of New York, as Trustee, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2006, is incorporated herein by reference.

Exhibit 4(f)

Second Supplemental Indenture, dated as of April 3, 2009, between the Corporation and The Bank of New York Mellon (formerly known as The Bank of New York), as Trustee, included in the Corporation's Current Report on Form 8-K filed with the Commission on April 3, 2009, is incorporated herein by reference.

The Corporation agrees to furnish a copy of any other documents with respect to long-term debt instruments of the Corporation and its subsidiaries upon request.

Exhibit 4(g)

Credit Agreement, dated as of December 7, 2007, among the Corporation, Black & Decker Luxembourg Finance S.C.A., and Black & Decker Luxembourg S.A.R.L., as Initial Borrowers, the initial lenders named therein, as Initial Lenders, Citibank, N.A., as Administrative Agent, JPMorgan Chase Bank, as Syndication Agent, and Bank of America, N.A., BNP Paribas and Commerzbank AG, as Documentation Agents (including all exhibits and schedules).

Exhibit 10(a)

The Black & Decker Corporation Deferred Compensation Plan for Non-Employee Directors, as amended and restated, included in the Corporation's Current Report on Form 8-K filed with the Commission on October 20, 2008, is incorporated herein by reference.

Exhibit 10(b)

The Black & Decker Non-Employee Directors Stock Plan, as amended and restated, included as Exhibit B to the Proxy Statement, dated March 11, 2008, for the 2008 Annual Meeting of Stockholders of the Corporation, is incorporated herein by reference.

Exhibit 10(c)

The Black & Decker 1989 Stock Option Plan, as amended, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 30, 1997, is incorporated herein by reference.

Exhibit 10(d)

The Black & Decker 1992 Stock Option Plan, as amended, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.

Exhibit 10(e)

The Black & Decker 1995 Stock Option Plan for Non-Employee Directors, as amended, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference.

Exhibit 10(f)

The Black & Decker 1996 Stock Option Plan, as amended, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference.

Exhibit 10(g)

The Black & Decker 2003 Stock Option Plan, as amended and restated, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 29, 2009, is incorporated herein by reference.

Exhibit 10(h)

The Black & Decker Corporation 2004 Restricted Stock Plan, included as Exhibit B to the Proxy Statement, dated March 16, 2004, for the 2004 Annual Meeting of Stockholders of the Corporation, is incorporated herein by reference.

Exhibit 10(i)

The Black & Decker 2008 Restricted Stock Plan, included as Exhibit A to the Proxy Statement, dated March 11, 2008, for the 2008 Annual Meeting of Stockholders of the Corporation, is incorporated herein by reference.

Exhibit 10(j)

The Black & Decker Performance Equity Plan, as amended, included in the Corporation's Current Report on Form 8-K filed with the Commission on March 26, 2008, is incorporated herein by reference.

Exhibit 10(k)

Form of Restricted Share Agreement relating to The Black & Decker Corporation 2004 Restricted Stock Plan, included in the Corporation's Current Report on Form 8-K filed with the Commission on April 30, 2009, is incorporated herein by reference.

Exhibit 10(l)

Form of Restricted Stock Unit Award Agreement relating to The Black & Decker Corporation 2008 Restricted Stock Plan, included in the Corporation's Current Report on Form 8-K filed with the Commission on April 30, 2009, is incorporated herein by reference.

Exhibit 10(m)

Form of Nonqualified Stock Option Agreement with executive officers relating to the Corporation's stock option plans, included in the Corporation's Current Report on Form 8-K filed with the Commission on April 28, 2005, is incorporated herein by reference.

Exhibit 10(n)

The Black & Decker Executive Annual Incentive Plan, as amended and restated, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 28, 2008, is incorporated herein by reference.

Exhibit 10(o)

The Black & Decker Management Annual Incentive Plan, as amended and restated, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 28, 2008, is incorporated herein by reference.

Exhibit 10(p)

The Black & Decker Supplemental Pension Plan, as amended and restated, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 28, 2008, is incorporated herein by reference.

Exhibit 10(q)

First Amendment to The Black & Decker Supplemental Pension Plan, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 28, 2009, is incorporated herein by reference.

Exhibit 10(r)

The Black & Decker Supplemental Retirement Savings Plan, as amended and restated, included in the Corporation's Current Report on Form 8-K filed with the Commission on October 20, 2008, is incorporated herein by reference.

Exhibit 10(s)

The Black & Decker Supplemental Executive Retirement Plan, as amended and restated, included in the Corporation's Current Report on Form 8-K filed with the Commission on July 20, 2009, is incorporated herein by reference.

Exhibit 10(t)

The Black & Decker Executive Salary Continuance Plan, as amended and restated, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 28, 2008, is incorporated herein by reference.

Exhibit 10(u)

Form of Severance Benefits Agreement by and between the Corporation and approximately 19 of its key employees, included in the Corporation's Current Report on Form 8-K filed with the Commission on November 3, 2009, is incorporated herein by reference.

Exhibit 10(v)

Amended and Restated Employment Agreement, dated as of November 2, 2009, by and between the Corporation and Nolan D. Archibald, included in the Corporation's Current Report on Form 8-K filed with the Commission on November 3, 2009, is incorporated herein by reference.

Exhibit 10(w)

Severance Benefits Agreement, dated as of November 2, 2009, by and between the Corporation and John W. Schiech, included in the Corporation's Current Report on Form 8-K filed with the Commission on November 3, 2009, is incorporated herein by reference.

Exhibit 10(x)

Severance Benefits Agreement, dated as of November 2, 2009, by and between the Corporation and Charles E. Fenton, included in the Corporation's Current Report on Form 8-K filed with the Commission on November 3, 2009, is incorporated herein by reference.

Exhibit 10(y)

Severance Benefits Agreement, dated as of November 2, 2009, by and between the Corporation and Michael D. Mangan, included in the Corporation's Current Report on Form 8-K filed with the Commission on November 3, 2009, is incorporated herein by reference.

Exhibit 10(z)

Severance Benefits Agreement, dated as of November 2, 2009, by and between the Corporation and Stephen F. Reeves, included in the Corporation's Current Report on Form 8-K filed with the Commission on November 3, 2009, is incorporated herein by reference.

Exhibit 10(aa)

The Black & Decker Corporation Corporate Governance Policies and Procedures Statement, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008, is incorporated herein by reference.

Exhibit 10(ab)

The Black & Decker 2008 Executive Long-Term Incentive/Retention Plan, as amended and restated, included in the Corporation's Current Report on Form 8-K filed with the Commission on November 3, 2009, is incorporated herein by reference.

Exhibit 10(ac)

Executive Chairman Agreement, dated as of November 2, 2009, by and between The Stanley Works and Nolan D. Archibald, included in the Corporation's Current Report on Form 8-K filed with the Commission on November 2, 2009, is incorporated herein by reference.

Items 10(a) through 10(ac) constitute management contracts and compensatory plans and arrangements required to be filed as exhibits under Item 14(c) of this Report.

Exhibit 21

List of Subsidiaries.

Exhibit 23

Consent of Independent Registered Public Accounting Firm.

Exhibit 24

Powers of Attorney.

Exhibit 31.1

Chief Executive Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2

Chief Financial Officer's Certification Pursuant to Rule 13a-14(a)/15-d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1

Chief Executive Officer's Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2

Chief Financial Officer's Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

All other items are "not applicable" or "none".

(b) Exhibits

The exhibits required by Item 601 of Regulation S-K are filed herewith.

(c) Financial Statement Schedules and Other Financial Statements

The Financial Statement Schedule required by Regulation S-X is filed herewith.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

The Black & Decker Corporation and Subsidiaries
(MILLIONS OF DOLLARS)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	OTHER CHANGES ADD (DEDUCT)	BALANCE AT END OF PERIOD
<i>Year Ended December 31, 2009</i>					
Reserve for doubtful accounts and cash discounts	\$ 39.1	\$ 71.9	\$ 67.3(a)	\$ 2.1(b)	\$ 45.8
<i>Year Ended December 31, 2008</i>					
Reserve for doubtful accounts and cash discounts	\$ 44.2	\$ 89.2	\$ 91.8(a)	\$ (2.5)(b)	\$ 39.1
<i>Year Ended December 31, 2007</i>					
Reserve for doubtful accounts and cash discounts	\$ 44.5	\$ 91.8	\$ 94.5(a)	\$ 2.4(b)	\$ 44.2

(a) Accounts written off during the year and cash discounts taken by customers.

(b) Primarily includes currency translation adjustments and amounts associated with acquired businesses.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE BLACK & DECKER CORPORATION

Date: February 19, 2010

By /s/ NOLAN D. ARCHIBALD
Nolan D. Archibald
Chairman, President, and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 19, 2010, by the following persons on behalf of the registrant and in the capacities indicated.

SIGNATURE	TITLE	DATE
Principal Executive Officer <u>/s/ NOLAN D. ARCHIBALD</u> Nolan D. Archibald	Chairman, President, and Chief Executive Officer	<u>February 19, 2010</u>
Principal Financial Officer <u>/s/ STEPHEN F. REEVES</u> Stephen F. Reeves	Senior Vice President and Chief Financial Officer	<u>February 19, 2010</u>
Principal Accounting Officer <u>/s/ CHRISTINA M. McMULLEN</u> Christina M. McMullen	Vice President and Controller	<u>February 19, 2010</u>

This report has been signed by the following directors, constituting a majority of the Board of Directors, by Nolan D. Archibald, Attorney-in-Fact.

Nolan D. Archibald
Norman R. Augustine
Barbara L. Bowles
George W. Buckley
M. Anthony Burns
Kim B. Clark

Manual A. Fernandez
Benjamin H. Griswold, IV
Anthony Luiso
Robert L. Ryan
Mark H. Willes

By /s/ NOLAN D. ARCHIBALD
Nolan D. Archibald
Attorney-in-Fact

Date: February 19, 2010

U.S. \$1,000,000,000

FIVE-YEAR CREDIT AGREEMENT

Dated as of December 7, 2007

Among

THE BLACK & DECKER CORPORATION,

BLACK & DECKER LUXEMBOURG FINANCE S.C.A

and

BLACK & DECKER LUXEMBOURG S.A.R.L.,

as Initial Borrowers,

and

THE INITIAL LENDERS NAMED HEREIN,

as Initial Lenders,

and

CITIBANK, N.A.,

as Administrative Agent,

and

JPMORGAN CHASE BANK, N.A.

as Syndication Agent

and

BANK OF AMERICA, N.A.

BNP PARIBAS

and

COMMERZBANK AG,

as Documentation Agents

J.P. MORGAN SECURITIES INC.

and

CITIGROUP GLOBAL MARKETS INC.,

as Lead Arrangers and Bookrunners

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Exhibit F	-	Form of Designation Letter
Exhibit G	-	Form of Acceptance of Process Agent

FIVE-YEAR CREDIT AGREEMENT

Dated as of December 7, 2007

THE BLACK & DECKER CORPORATION, a Maryland corporation (the "**Company**"), BLACK & DECKER LUXEMBOURG FINANCE S.C.A., a corporate partnership limited by shares organized under the laws of Luxembourg ("**BDLF**"), BLACK & DECKER LUXEMBOURG S.à.r.l., a société à responsabilité limitée organized under the laws of Luxembourg ("**BDL**") and, together with the Company and BDLF, the "**Initial Borrowers**"), the banks, financial institutions and other institutional lenders (collectively, the "**Initial Lenders**") and initial issuing banks (the "**Initial Issuing Banks**") listed on the signature pages hereof, CITIBANK, N.A. ("**Citibank**"), as the administrative agent (together with any successor agent appointed pursuant to Article VIII, the "**Administrative Agent**") for the Lenders (as hereinafter defined), JPMORGAN CHASE BANK, N.A. ("**JPMorgan**"), as syndication agent (the "**Syndication Agent**"), and Bank of America, N.A., BNP Paribas and Commerzbank AG, as documentation agents for the Lenders, agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"**Administrative Agent**" has the meaning specified in the recital of parties to this Agreement.

"**Administrative Agent's Account**" means the account of the Administrative Agent maintained by the Administrative Agent at 399 Park Avenue, New York, New York 10043, Account no. 36852248 and such other account of the Administrative Agent as is designated in writing from time to time by the Administrative Agent to the Borrowers and the Lenders for such purpose.

"**Advance**" means an advance by a Lender to any Borrower as part of a Borrowing and refers to a Base Rate Advance or a Eurodollar Rate Advance.

"**Affiliate**" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "*control*" (including the terms "*controlling*", "*controlled by*" and "*under common control with*") of a Person means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"**Agreement**" means this Five-Year Credit Agreement, as it may be amended from time to time in accordance with Section 9.01.

"Agreement Value" means, with respect to any Hedge Agreement at any date of determination, the amount, if any, that would be payable to any counterparty thereunder in respect of the "agreement value" under such Hedge Agreement if such Hedge Agreement were terminated on such date, calculated as provided in the International Swap Dealers Association, Inc. Code of Standard Wording, Assumptions and Provisions for Swaps, 1986 Edition.

"Anniversary Date" means December 7, 2008 and December 7 in each succeeding calendar year occurring during the term of this Agreement.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Base Rate Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance.

"Applicable Margin" means, at any time and from time to time, a percentage per annum equal to the applicable percentage set forth below for the Public Debt Rating set forth below:

Public Debt Rating	Eurodollar Rate Advances
<u>Level I</u> A- or A3	0.180%
<u>Level II</u> BBB+ or Baa1	0.270%
<u>Level III</u> BBB or Baa2	0.300%
<u>Level IV</u> BBB- or Baa3	0.425%
<u>Level V</u> Lower than Level IV	0.600%

"Applicable Percentage" means, at any time and from time to time, a percentage per annum equal to the applicable percentage set forth below for the Public Debt Rating set forth below:

Public Debt Rating	Facility Fee
<u>Level I</u> A- or A3	0.070%
<u>Level II</u> BBB+ or Baa1	0.080%
<u>Level III</u> BBB or Baa2	0.100%
<u>Level IV</u> BBB- or Baa3	0.125%

<u>Public Debt Rating</u>	<u>Facility Fee</u>
<u>Level V</u> Lower than Level IV	0.150%

"Applicable Utilization Fee" means, at any time that the sum of (a) the aggregate principal amount of the Advances then outstanding plus (b) the Available Amount of the Letters of Credit then outstanding exceeds 50% of the aggregate Revolving Credit Commitments, a percentage per annum equal to the applicable percentage set forth below for the Public Debt Rating set forth below:

<u>Public Debt Rating</u>	<u>Utilization Fee</u>
<u>Level I</u> A- or A3	0.050%
<u>Level II</u> BBB+ or Baa1	0.050%
<u>Level III</u> BBB or Baa2	0.050%
<u>Level IV</u> BBB- or Baa3	0.100%
<u>Level V</u> Lower than Level IV	0.125%

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent and, if applicable, the Company, in substantially the form of Exhibit C hereto.

"Assuming Lender" has the meaning specified in Section 2.17(c).

"Assumption Agreement" means (a) an assumption agreement entered into by a Non-Consenting Lender and an Assuming Lender, and accepted by the Administrative Agent and the Company, in substantially the form of Exhibit D hereto, pursuant to which such Assuming Lender agrees to become a Lender hereunder pursuant to Section 2.17 or (b) an assumption agreement entered into by an Assuming Lender, and accepted by the Administrative Agent and the Company pursuant to which such Assuming Lender agrees to become a Lender hereunder pursuant to Section 2.19.

"Available Amount" of any Letter of Credit means, at any time, the maximum amount available to be drawn under such Letter of Credit at such time (assuming compliance at such time with all conditions to drawing).

"Base Rate" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the higher of:

- (a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate; and

(b) 1/2 of 1% per annum above the Federal Funds Rate.

"Base Rate Advance" means an Advance that bears interest as provided in Section 2.07(a)(i).

"Base Rate Lending Office" means, with respect to any Lender, the office of such Lender or any of its Affiliates specified as its "Base Rate Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance or in the Assumption Agreement, as the case may be, pursuant to which it became a Lender, or such other office of such Lender or any of its Affiliates as such Lender may from time to time specify to the Company and the Administrative Agent for such purpose.

"Borrowers" means, collectively, each Initial Borrower and each Designated Subsidiary that shall become a party to this Agreement pursuant to Section 9.08.

"Borrowers' Account" means, in the case of the Company, the account of the Company, Account Number 4057-7058, in the case of BDLF, the account of BDLF, Account Number 3061-7087, in the case of BDL, the account of BDL, Account Number 4075-0092, each at Citibank at its offices at 399 Park Avenue, New York, New York 10043, and such other account of the Borrowers (or any one of them) as is agreed in writing from time to time among the Borrowers and the Administrative Agent for such purpose.

"Borrowing" means a borrowing consisting of simultaneous Advances of the same Type made by each of the Lenders pursuant to Section 2.01.

"Business Day" means a day of the year on which banks are not required or authorized by law to close in New York, New York and, if the applicable Business Day relates to any Eurodollar Rate Advance, on which dealings are carried on in the London interbank market.

"Capitalized Leases" means all leases that have been or should be, in accordance with generally accepted accounting principles in effect from time to time, recorded as capitalized leases.

"Cash Flow Coverage Ratio" means, with respect to the Company and its Subsidiaries at any date of determination, the ratio of (a) EBITDA of the Company and its Subsidiaries for the most recently completed consecutive four fiscal quarter period ending on such date to (b) Consolidated Net Interest Expense for the most recently completed consecutive four fiscal quarter period ending on such date, in each case calculated in accordance with GAAP. Calculations of the Cash Flow Coverage Ratio shall exclude all effects of unusual or nonrecurring credits or charges.

"Change of Control" means the occurrence of any of the following:

(a) any "person" or "group" (each as used in Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Securities Exchange Act of

1934, as amended), directly or indirectly, of Voting Stock of the Company (or securities convertible into or exchangeable for such Voting Stock) representing more than 30% of the combined voting power of all Voting Stock of the Company (on a fully diluted basis); or

- (b) a majority of the members of the board of directors of the Company are not Continuing Directors at any time.

"**Citibank**" has the meaning specified in the recital of parties to this Agreement.

"**Commitment**" means a Revolving Credit Commitment or a Letter of Credit Commitment.

"**Commitment Date**" has the meaning specified in Section 2.19(b).

"**Commitment Increase**" has the meaning specified in Section 2.19(a).

"**Company**" has the meaning specified in the recital of parties to this Agreement.

"**Consenting Lender**" has the meaning specified in Section 2.17(b).

"**Consolidated Net Interest Expense**" means, with respect to the Company and its Subsidiaries for any period, (a) total interest expense (including, without limitation, the interest component on all obligations under Capitalized Leases during such period) of the Company and its Subsidiaries for such period *less* (b) total interest income of the Company and its Subsidiaries for such period, in each case determined on a consolidated basis for the Company and its Subsidiaries in accordance with GAAP; *provided, however,* that calculation of Consolidated Net Interest Expense for that period shall exclude any income/expense for that period associated with spot-to-forward differences or points on foreign currency trades that are included in interest income/expense as a result of Statement of Financial Accounting Standards No. 133, as amended and interpreted.

"**Continuing Director**" means an individual who is a member of the board of directors of the Company on the date of this Agreement or whose election to the board of directors of the Company is approved by a majority of the other Continuing Directors.

"**Convert**", "**Conversion**" and "**Converted**" each refers to a conversion of Advances of one Type into Advances of another Type or the continuation of Advances of the same Type for another Interest Period pursuant to Section 2.08 or 2.09.

"**Default**" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"**Defaulted Advance**" means, with respect to any Lender at any time, the portion of any Advance required to be made by such Lender to any Borrower, pursuant to Sections 2.01 and 2.02 at or prior to such time that has not been made or purchased by such Lender or by the Administrative Agent for the account of such Lender pursuant to

Section 2.02(c) as of such time. In the event that a portion of a Defaulted Advance shall be deemed made pursuant to Section 2.16, the remaining portion of such Defaulted Advance shall be

considered a Defaulted Advance originally required to be made pursuant to Sections 2.01 and 2.02 on the same date as the Defaulted Advance so deemed made in part.

"Defaulting Lender" means, at any time, any Lender that at such time owes a Defaulted Advance.

"Designated Subsidiary" means any Substantially Owned Subsidiary designated after the date of this Agreement for borrowing privileges hereunder pursuant to Section 9.08.

"Designation Letter" means a letter entered into by a Designated Subsidiary, the Company and the Administrative Agent, in substantially the form of Exhibit F hereto, pursuant to which such Designated Subsidiary shall become a Borrower hereunder in accordance with Section 9.08.

"EBITDA" means, for any period, (a) earnings before income taxes for such period as set forth on the consolidated statements of earnings of the Company and its Subsidiaries for such period *less (or plus)* (b) other income (or expense) of the Company and its Subsidiaries for such period to the extent included in earnings before income taxes *plus* (c) Consolidated Net Interest Expense for such period *plus* (d) all charges for depreciation and amortization for such period as set forth in the consolidated statements of cash flows of the Company and its Subsidiaries for such period; *provided, however,* that, for purposes of calculating EBITDA for any period, Consolidated Net Interest Expense for that period will be included without giving effect to the proviso at the end of the definition of "Consolidated Net Interest Expense".

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means (a) a Lender, (b) an Affiliate of a Lender or (c) any other Person approved by the Administrative Agent, each Issuing Bank and, unless an Event of Default has occurred and is continuing, the Company, such approval not to be unreasonably withheld or delayed; *provided, however,* that neither the Company nor an Affiliate of the Company shall qualify as an Eligible Assignee.

"Environmental Action" means any suit, demand, demand letter, claim, notice of noncompliance or violation, notice of liability or potential liability, proceeding, consent order or consent agreement relating in any way to any Environmental Law, any Environmental Permit or any Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment, including, without limitation, (a) by any Governmental Authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any Governmental Authority or any other third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"Environmental Law" means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial determination

relating to pollution or to protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"Environmental Lien" means a Lien in favor of a Governmental Authority securing (a) any liability under any Environmental Law or any Environmental Permit or (b) damages arising from, or remediation costs or injunctive relief imposed by a Governmental Authority in response to, the release or threatened release of Hazardous Materials.

"Environmental Permit" means any permit, license or other authorization required under any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person that for purposes of Title IV of ERISA is a member of the Company's controlled group, or under common control with the Company, within the meaning of Section 414 of the Internal Revenue Code.

"ERISA Event" means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA are met with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Company or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Company or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan.

"Eurocurrency liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender or any of its Affiliates specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance or the Assumption Agreement, as the case may be, pursuant to which it became a Lender (or, if no such office is specified, its Base Rate Lending Office), or such other office of such Lender or any of its Affiliates as such Lender may from time to time specify to the Company and the Administrative Agent for such purpose.

"Eurodollar Rate" means, for any Interest Period for each Eurodollar Rate Advance comprising part of the same Borrowing, an interest rate per annum equal to:

(a) the rate per annum appearing on Reuters Screen LIBOR01 Page as the London interbank offered rate for deposits in U.S. Dollars at or about 11:00 A.M. (London time) two Business Days before the first day of such Interest Period and for a period equal to such Interest Period; or

(b) if such rate does not so appear on the Reuters Screen LIBOR01 Page at such time, the average (rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such average is not such a multiple) of the rates per annum at which deposits in US Dollars are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at or about 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Reference Bank's Eurodollar Rate Advance comprising part of such Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period; *provided* that any determination of the Eurodollar Rate for any Interest Period pursuant to this clause (b) shall be determined by the Administrative Agent on the basis of applicable rates furnished to and received by the Administrative Agent from the Reference Banks two Business Days before the first day of such Interest Period, *subject, however,* to the provisions of Section 2.08.

"Eurodollar Rate Advance" means an Advance denominated in US Dollars that bears interest as provided in Section 2.07(a)(ii).

"Eurodollar Rate Reserve Percentage" means, with respect to any Lender for any Interest Period for any Eurodollar Rate Advance made by such Lender from time to time, the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor thereto) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Lender with respect to liabilities or assets consisting of or including Eurocurrency liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurodollar Rate Advances is determined) having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

"Existing Credit Agreement" means that certain Five Year Credit Agreement dated as of October 29, 2004 among the Company, Black & Decker Holdings Inc., the banks party thereto, Citibank, as Administrative Agent, J.P. Morgan Securities Inc., as Documentation Agent, and Bank of America, N.A., BNP Paribas and Commerzbank AG, as Co-Syndication Agents, as amended, supplemented or otherwise modified through the date hereof.

"Extension Date" has the meaning specified in Section 2.17(b).

"Facility Fee" has the meaning specified in Section 2.04(a).

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"Financial Statements" means, with respect to any Person at any date of determination:

(a) the financial statements of such Person and its Subsidiaries included in the quarterly report of such Person on Form 10-Q or the annual report of such Person on Form 10-K, as the case may be, for the period ended on such date, in each case as filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, and including all financial statements of such Person and its Subsidiaries incorporated by reference therein; or

(b) if there is no quarterly report of such Person on Form 10-Q or annual report of such Person on Form 10-K, as the case may be, for the period ended on such date, a consolidated balance sheet of such Person and its Subsidiaries as at such date and consolidated statements of earnings and cash flow of such Person and its Subsidiaries for the period ended on such date and for the period commencing at the end of the immediately preceding fiscal year of such Person and ending on such date, setting forth in each case in comparative form the corresponding figures as of the end of and for the corresponding period in the immediately preceding fiscal year of such Person and the corresponding figures as of the end of and for the corresponding year-to-date period in the immediately preceding fiscal year of such Person, all in reasonable detail.

"Foreign Borrower" means BDL, BDLF or any Designated Subsidiary organized under the laws of a jurisdiction outside of the United States that becomes a Borrower hereunder.

"GAAP" means generally accepted accounting principles consistent with those applied in the preparation of the Financial Statements of the Company for the fiscal year of the Company ended December 31, 2006, filed with the Securities and Exchange Commission in the Annual Report of the Company on Form 10-K for such fiscal year, as modified for the fiscal quarter ended April 1, 2007 and subsequent fiscal quarters by the Company's adoption of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109".

"Governmental Authority" means any nation or government or any state, province or other political subdivision thereof, or any governmental, executive, legislative, judicial, administrative or regulatory agency, department, authority, instrumentality, commission, board or similar body, whether federal, state, local or foreign.

"Guaranteed Obligations" has the meaning specified in Section 7.01.

"Hazardous Materials" means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

"Hedge Agreements" means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements.

"Home Jurisdiction Withholding Taxes" means in the case of the Company, withholding for United States income taxes, United States back-up withholding taxes and United States withholding taxes.

"Indebtedness" means, with respect to any Person (without duplication):

- (a) all indebtedness of such Person for borrowed money;
- (b) all obligations of such Person for the deferred purchase price of property and assets or services (other than trade payables incurred in the ordinary course of such Person's business but only if and for so long as the same remains payable on customary trade terms);
- (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments;
- (d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property or assets acquired by such Person (even though the rights and remedies of the seller or the lender under such agreement in the event of default are limited to repossession or sale of such property or assets);

- (e) all obligations of such Person as lessee under Capitalized Leases;
- (f) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit or similar extensions of credit;
- (g) all obligations of such Person in respect of Hedge Agreements, valued at the Agreement Value thereof;
- (h) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Mandatorily Redeemable Stock, valued at the greater of (i) its voluntary or involuntary liquidation preference and (ii) the aggregate amount payable therefor upon purchase, redemption, defeasance or payment therefor;
- (i) all Indebtedness of other Persons referred to in clauses (a) through (h) above or clause (j) below guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (i) to pay or purchase such Indebtedness or to advance or supply funds for the payment or purchase of such Indebtedness, (ii) to purchase, sell or lease (as lessee or lessor) property or assets, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Indebtedness or to assure the holder of such Indebtedness against loss, (iii) to supply funds to, or in any other manner to invest in, the debtor (including any agreement to pay for property, assets or services irrespective of whether such property or assets are received or such services are rendered) or (iv) otherwise to assure a creditor against loss; and
- (j) all Indebtedness referred to in clauses (a) through (i) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property and assets (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness.

"Indemnified Party" has the meaning specified in Section 9.04(b).

"Increase Date" has the meaning specified in Section 2.19(a).

"Increasing Lender" has the meaning specified in Section 2.19(d).

"Information" has the meaning specified in Section 9.09.

"Initial Borrowers" has the meaning specified in the recital of parties to this Agreement.

"Initial Issuing Banks" has the meaning specified in the recital of parties to this Agreement.

"Initial Lenders" has the meaning specified in the recital of parties to this Agreement.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Borrowing, the period commencing on the date of such Eurodollar Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower requesting such Borrowing or Conversion pursuant to the provisions below and, thereafter, with respect to any such Eurodollar Rate Advance, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by such Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, and subject to clause (c) of this definition, nine or twelve months, as the Borrower requesting such Borrowing or Conversion may, upon notice received by the Administrative Agent in accordance with the applicable provisions of Section 2.02(a) or 2.09, as the case may be, select; *provided, however,* that:

- (a) such Borrower may not select any Interest Period that ends after the scheduled Termination Date;
- (b) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Borrowing shall be of the same duration;
- (c) in the case of any such Borrowing, such Borrower shall not be entitled to select an Interest Period having a duration of nine or twelve months unless, by 4:00 P.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, each Lender notifies the Administrative Agent that such Lender will be providing funding for such Borrowing with such Interest Period (the failure of any Lender to so respond by such time being deemed for all purposes of this Agreement as an objection by such Lender to the requested duration of such Interest Period); *provided* that, if any or all of the Lenders object to the requested duration of such Interest Period, the duration of the Interest Period for such Borrowing shall be one, two, three or six months, as specified by the Borrower requesting such Borrowing in the applicable Notice of Borrowing as the desired alternative to an Interest Period of nine or twelve months;
- (d) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day; *provided, however,* that, if such extension would cause the last day of such Interest Period to occur in the next succeeding calendar month, the last day of such Interest Period shall occur on the immediately preceding Business Day; and
- (e) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of

months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and the rulings issued thereunder.

"Issuing Bank" means an Initial Issuing Bank or any Eligible Assignee (x) that has been appointed by the Company pursuant to Section 2.21 or (y) to which a portion of the Letter of Credit Commitment hereunder has been assigned pursuant to Section 9.07, in each case so long as such Eligible Assignee expressly agrees to perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as an Issuing Bank and notifies the Administrative Agent of its Applicable Lending Office (which information shall be recorded by the Administrative Agent in the Register), for so long as the Initial Issuing Bank or Eligible Assignee, as the case may be, shall have a Letter of Credit Commitment.

"JPMorgan" has the meaning specified in the recital of parties to this Agreement.

"L/C Cash Collateral Account" means an interest bearing cash collateral account to be established and maintained by the Administrative Agent, over which the Administrative Agent shall have sole dominion and control, upon terms as may be satisfactory to the Administrative Agent.

"L/C Related Documents" has the meaning specified in Section 2.06(b)(i).

"Lenders" means, collectively, each Initial Lender, each Issuing Bank and each other Person that shall become a party hereto pursuant to Section 2.17, 2.19 or 9.07(a), (b) and (c).

"Letter of Credit Agreement" shall have the meaning specified in Section 2.03(a).

"Letter of Credit Commitment" means as to any Issuing Bank (a) the amount set forth opposite such Issuing Bank's name on the signature pages hereto under the caption "Letter of Credit Commitment" or (b) if such Issuing Bank has entered into one or more Assignment and Acceptances or has been appointed by the Company pursuant to Section 2.21, the amount set forth for such Issuing Bank in the Register maintained by the Administrative Agent pursuant to Section 9.07(d) as such Issuing Bank's "Letter of Credit Commitment", as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"Letter of Credit Facility" means, at any time, an amount equal to the lesser of (a) the aggregate amount of the Issuing Banks' Letter of Credit Commitments at such time and (b) \$75,000,000, as such amount may be reduced at or prior to such time pursuant to Section 2.05(b).

"Letters of Credit" has the meaning specified in Section 2.01(b).

"Leverage Ratio" means, with respect to the Company and its Subsidiaries at any date of determination, the ratio of (a) the sum (without duplication) of (i) all Reported Net Indebtedness at such date, (ii) all Mandatorily Redeemable Stock of the Company and its Subsidiaries outstanding at such date which is not included in Reported Net Indebtedness (valued at the greater of (A) its voluntary or involuntary liquidation preference and (B) the aggregate amount payable therefor upon purchase, redemption, defeasance or payment therefor), determined on a consolidated basis, (iii) the aggregate book value of all accounts receivable on the books of the purchasers thereof sold by the Company or any of its Subsidiaries to any Person other than the Company or any of its Subsidiaries at such date and (iv) all outstanding obligations of any Person for borrowed money (other than any such obligations of employees in an aggregate amount not to exceed \$10,000,000 (or the equivalent thereof in one or more foreign currencies)) that is guaranteed or in effect guaranteed by, or secured by a Lien on the property or assets of, the Company or any of its Subsidiaries at such date to (b) EBITDA of the Company and its Subsidiaries for the most recently completed consecutive four fiscal quarters ending on such date, in each case calculated in accordance with GAAP. Calculations of the Leverage Ratio shall exclude all effects of unusual or nonrecurring credits or charges.

"Lien" means any lien, security or other charge or encumbrance of any kind, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property, but shall not include the interest of a third party in receivables sold by any Person to such third party on a nonrecourse basis.

"Mandatorily Redeemable Stock" means, at any date of determination, with respect to any Person, any shares of capital stock of (or other similar ownership interest in) such Person or any other Person that, at such date, (a) are redeemable, payable or required to be purchased or otherwise retired or extinguished, or are convertible into any Indebtedness or other liability of such Person, whether mandatorily or at the option of the holder thereof (except if an event must occur to cause or permit the holder thereof to require redemption or repurchase of such capital stock (or such other ownership interest) and such event has not occurred at such date), prior to the then scheduled Termination Date or (b) are convertible into any shares of capital stock (or other similar ownership interest) of the types referred to in subclause (a) above.

"Material Adverse Effect" means any material adverse effect on (a) the ability of the Company and its Subsidiaries, taken as a whole, to perform the obligations of the Borrowers under this Agreement and the Notes or (b) the legality, binding nature, validity or enforceability of this Agreement or any Note as an obligation of any Borrower that is intended to be a party thereto.

"Moody's" means Moody's Investors Service, Inc., or any successor thereto acceptable to the Required Lenders.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Company or any ERISA Affiliate is making

or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Company or any ERISA Affiliate and at least one Person other than the Company and the ERISA Affiliates or (b) was so maintained and in respect of which the Company or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Non-Consenting Lender" has the meaning specified in Section 2.17(b).

"Note" means a promissory note of any Borrower payable to the order of any Lender, in substantially the form of Exhibit A hereto, evidencing the aggregate indebtedness of such Borrower to such Lender resulting from the Advances made by such Lender.

"Notice of Borrowing" has the meaning specified in Section 2.02(a).

"Notice of Issuance" has the meaning specified in Section 2.03(a).

"Other Taxes" has the meaning specified in Section 2.14(b).

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Permitted Liens" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced and remain unstayed:

(a) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under Section 5.01(b);

(b) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations (other than Indebtedness for borrowed money) that (i) are not overdue for a period of more than 30 days or (ii) are being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained in accordance with generally accepted accounting principles in effect from time to time;

(c) pledges or deposits to secure obligations under workers' compensation laws or other similar legislation (other than in respect of employee benefit plans subject to ERISA) or to secure public or statutory obligations;

(d) Liens securing the performance of, or payment in respect of, bids, tenders, government contracts (other than for the repayment of borrowed money),

surety and appeal bonds and other obligations of a similar nature incurred in the ordinary course of business;

(e) any interest or title of a lessor or sublessor and any restriction or encumbrance to which the interest or title of such lessor or sublessor may be subject that is incurred in the ordinary course of business and, either individually or when aggregated with all other Permitted Liens in effect on any date of determination, could not be reasonably expected to have a Material Adverse Effect;

(f) easements, rights of way, zoning restrictions and other encumbrances on title to real property that do not, either individually or in the aggregate, render title to the property encumbered thereby unmarketable or materially and adversely affect the use of such property for its present purposes; and

(g) any interest of the Administrative Agent and the Lenders in the L/C Cash Collateral Account.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Pro Rata Share" of any amount means, with respect to any Lender at any time, the product of (a) a fraction the numerator of which is the amount of such Lender's Revolving Credit Commitment at such time and the denominator of which is the aggregate Revolving Credit Commitments of all Lenders at such time and (b) such amount.

"Public Debt Rating" means, as of any date of determination, the rating that has been most recently announced by either S&P or Moody's, as the case may be, for any class of non-credit enhanced long-term senior unsecured public debt issued or to be issued by the Company. For purposes of the foregoing:

(a) if only one of S&P and Moody's shall have in effect a Public Debt Rating, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee shall be determined by reference to the available rating;

(b) if, at any time, neither S&P nor Moody's shall have in effect a Public Debt Rating, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee shall be set in accordance with level V under the definition of "*Applicable Margin*", "*Applicable Percentage*" or "*Applicable Utilization Fee*", as the case may be;

(c) if the ratings established by S&P and Moody's shall fall within different levels, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee shall be based upon the higher rating therefrom; *provided, however,* that, if the lower of such ratings is two levels below the higher of such ratings, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee shall be set in accordance with the level that is in the middle of such levels; and *provided further, however,* that, if the lower of such ratings is more than two levels below the higher of such ratings, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee shall be deemed to be the average of the Applicable Margins, the Applicable Percentages or the Applicable Utilization Fees, as the case may be, that correspond to such ratings;

(d) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the first Business Day after the date on which such change is announced publicly by the rating agency making such change; and

(e) if S&P or Moody's shall change the basis on which ratings are established by it, each reference to the Public Debt Rating announced by S&P or Moody's shall refer to the then equivalent rating by S&P or Moody's, as the case may be.

"Reference Banks" means Citibank, JPMorgan and Bank of America, N.A. or, in the event that any one of such banks ceases to be a Lender hereunder at any time, any other commercial bank designated by the Company and approved by the Required Lenders as constituting a "*Reference Bank*" hereunder.

"Register" has the meaning specified in Section 9.07(d).

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"Reported Net Indebtedness" means, at any date of determination, (a) the consolidated liabilities of the Company and its Subsidiaries at such date that are for money borrowed or that constitute short-term borrowings or long-term debt *less* (b) all cash and cash equivalents of the Company and its Subsidiaries at such date, determined in accordance with GAAP; *provided, however,* that calculation of Reported Net Indebtedness shall include the aggregate carrying value of such indebtedness, excluding any effects of fair value hedges on the carrying value of the indebtedness as imposed by Statement of Financial Accounting Standards No. 133, as amended and interpreted.

"Required Lenders" means, at any time, Lenders owed at least a majority in interest of the aggregate unpaid principal amount of all Advances owing to Lenders at such time, or, if no such principal amount is outstanding at such time, Lenders having at least a majority in interest of the Revolving Credit Commitments at such time.

"Responsible Officer" means the Chief Executive Officer, the Chief Financial Officer, the Treasurer or the General Counsel of each Borrower (or other executive officers of any Borrower performing similar functions) or any other officer of any Borrower or any of its Subsidiaries responsible for overseeing or reviewing compliance with this Agreement and the Notes.

"Revolving Credit Commitment" means, with respect to any Lender, the amount set forth opposite such Lender's name on the signature pages hereof under the caption "Revolving Credit Commitment" or, if such Lender has entered into an Assignment and Acceptance or an Assumption Agreement, as the case may be, the amount set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 9.07(d), in each case as such amount may be reduced pursuant to Section 2.05(a) or increased pursuant to Section 2.19.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., or any successor thereto acceptable to the Required Lenders.

"Significant Subsidiary" means, at any date of determination, any Subsidiary of the Company that, either individually or together with its Subsidiaries, taken as a whole, (a) accounted for more than 10% of the consolidated assets of the Company and its Subsidiaries as of such date or (b) accounted for more than 10% of the consolidated net income of the Company and its Subsidiaries for any of the three most recently completed fiscal years of the Company prior to such date, in each case as reflected on the applicable Financial Statements of the Company at or prior to such date.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Company or any ERISA Affiliate and no Person other than the Company and the ERISA Affiliates or (b) was so maintained and in respect of which the Company or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"SPC" has the meaning specified in Section 9.07(f).

"Subsidiary" means, with respect to any Person, any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of

- (a) the issued and outstanding shares of capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time shares of capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency),
- (b) the interest in the capital or profits of such limited liability company, partnership or joint venture,
or
- (c) the beneficial interest in such trust or estate,

is at the time, directly or indirectly, owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Substantially Owned Subsidiary" means, at any time, any Subsidiary of the Company of which (or in which) at least 80% of

(a) the issued and outstanding shares of capital stock having ordinary voting power to elect a majority of the board of directors of such Subsidiary (irrespective of whether at the time shares of capital stock of any other class or classes of such Subsidiary shall or might have voting power upon the occurrence of any contingency), and/or

(b) all other ownership interests and rights to acquire ownership interests in such Subsidiary,

is at such time, directly or indirectly, owned or controlled by the Company, by the Company and one or more of its wholly owned Subsidiaries or by one or more wholly owned Subsidiaries of the Company.

"Syndication Agent" has the meaning specified in the recital of parties to this Agreement.

"Taxes" has the meaning specified in Section 2.14(a).

"Termination Date" means the earlier of (a) December 7, 2012, subject to extension thereof pursuant to Section 2.17, and (b) the date of termination in whole of the Commitments pursuant to Section 2.05 or 6.01; *provided, however,* that the Termination Date of any Lender that is a Non-Consenting Lender pursuant to Section 2.17 shall be the Termination Date in effect immediately prior to the applicable Extension Date for all purposes of this Agreement.

"Type" refers to the distinction between Advances bearing interest at the Base Rate and at the Eurodollar Rate.

"Unused Commitment" means, with respect to any Lender at any time, (a) such Lender's Revolving Credit Commitment at such time *less* (b) the sum of (i) the aggregate principal amount of all Advances made by such Lender (in its capacity as a Lender) and outstanding at such time *plus* (ii) such Lender's Pro Rata Share of the aggregate Available Amount of all the Letters of Credit outstanding at such time.

"US Dollars" and the "**\$**" sign each mean the lawful money of the United States of America.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar

functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "*from*" means "from and including" and the words "*to*" and "*until*" each mean "to but excluding".

ARTICLE II

TERMS OF THE ADVANCES AND LETTERS OF CREDIT

SECTION 2.01. The Advances and Letters of Credit. (a) The Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Advances to any Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date applicable to such Lender in an amount for each such Advance not to exceed such Lender's Unused Commitment on such Business Day. Each Borrowing shall be in an aggregate amount of not less than \$10,000,000 and shall consist of Advances of the same Type made on the same day by the Lenders according to their respective Pro Rata Shares of such Borrowing. Within the limits of each Lender's Unused Commitment, any Borrower may borrow under this Section 2.01(a), prepay pursuant to Section 2.10 and reborrow under this Section 2.01(a).

(b) Letters of Credit. Each Issuing Bank agrees, on the terms and conditions hereinafter set forth, to issue letters of credit (each, a "**Letter of Credit**") for the account of any Borrower from time to time on any Business Day during the period from the Effective Date until 30 days before the Termination Date applicable to such Issuing Bank in an aggregate Available Amount (i) for all Letters of Credit issued by each Issuing Bank not to exceed at any time the lesser of (x) the Letter of Credit Facility at such time and (y) such Issuing Bank's Letter of Credit Commitment at such time and (ii) for each such Letter of Credit not to exceed an amount equal to the Unused Commitments of the Lenders at such time. Each Letter of Credit shall be for a stated amount of \$250,000 or more, unless otherwise agreed upon between the Company and the Issuing Bank. No Letter of Credit shall have an expiration date (including all rights of the applicable Borrower or the beneficiary to require renewal) later than the earlier of (x) the date that is one year after the date of issuance thereof or (y) 10 Business Days prior to the Termination Date applicable to such Issuing Bank, *provided* that, if the Termination Date has been extended pursuant to Section 2.17, no Letter of Credit may expire after the Termination Date of any Non-Consenting Lender if, after giving effect to such Letter of Credit, the aggregate Commitments of the Consenting Lenders (including any replacement Lenders) for the period following such Termination Date would be less than the Available Amount of the Letters of Credit expiring after such Termination Date. Within the limits referred to above, the Borrowers may request the issuance of Letters of Credit under this Section 2.01(b), repay any Advances resulting from drawings thereunder pursuant to Section 2.03(c) and request the issuance of additional Letters of Credit under this Section 2.01(b). Each letter of credit listed on Schedule 2.01(b) shall be deemed to constitute a Letter of Credit issued hereunder, and each Lender that is an issuer of such a Letter of Credit shall, for purposes of Section 2.03, be deemed to be an

Issuing Bank for each such letter of credit, *provided* that any renewal or replacement of any such letter of credit shall be issued by an Issuing Bank pursuant to the terms of this Agreement.

SECTION 2.02. Making the Advances. (a) Except as otherwise provided in Section 2.03(c), each Borrowing shall be made on notice, given not later than 2:00 P.M. (New York City time) on the third Business Day prior to the date of the proposed Borrowing in the case of a Borrowing comprised of Eurodollar Rate Advances, or not later than 11:00 A.M. (New York City time) on the same Business Day as the date of the proposed Borrowing in the case of a Borrowing comprised of Base Rate Advances, by any Borrower to the Administrative Agent, which shall give each Lender prompt notice thereof by telecopier. Each such notice of a Borrowing (a "*Notice of Borrowing*") shall be by telephone, confirmed immediately in writing, or by telecopier, in substantially the form of Exhibit B hereto, specifying therein (i) the requested date of such Borrowing (which shall be a Business Day), (ii) the requested Type of Advances comprising such proposed Borrowing, (iii) the requested aggregate principal amount of such Borrowing and (iv) in the case of a Borrowing consisting of Eurodollar Rate Advances, the requested initial Interest Period for each such Advance. Each Lender shall, before 1:00 P.M. (New York City time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's Account, in same day funds, such Lender's Pro Rata Share of such Borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make such funds available to the Borrower requesting such Borrowing at the applicable Borrowers' Account or at such other address and account number of such Borrower as is reasonably acceptable to the Administrative Agent and as such Borrower shall have specified in the related Notice of Borrowing.

(b) Each Notice of Borrowing shall be irrevocable and binding on the Borrower that requested such Borrowing. In the case of any Borrowing that the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower that requested such Borrowing shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in the Notice of Borrowing for such Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Advance to be made by such Lender as part of such Borrowing when such Advance, as a result of such failure, is not made or purchased on such date.

(c) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing comprised of Eurodollar Rate Advances, or prior to 1:00 P.M. (New York City time) on the date of any Borrowing comprised of Base Rate Advances, that such Lender will not make available to the Administrative Agent such Lender's Pro Rata Share of such Borrowing, the Administrative Agent may assume that such Lender has made such Pro Rata Share available to the Administrative Agent on the date of such Borrowing in accordance with Section 2.02(a) and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower requesting such Borrowing on such date a corresponding amount. If and to the extent that such Lender shall not have so made its Pro Rata Share available to the Administrative Agent, such Lender and such Borrower severally agree to repay to the Administrative Agent forthwith on demand such amount, and to pay interest thereon, for each

day from the date such amount is made available to such Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of such Borrower, the interest rate applicable at the time to the Advances comprising such Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Advance as part of such Borrowing for all purposes of this Agreement.

(d) The failure of any Lender to make the Advance to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on the date of any Borrowing.

SECTION 2.03. Issuance of and Drawings and Reimbursement Under Letters of Credit. (a) Request for Issuance. (i) Each Letter of Credit shall be issued upon notice, given not later than 1:00 P.M. (New York City time) on the third Business Day prior to the date of the proposed issuance of such Letter of Credit (or on such shorter notice as the applicable Issuing Bank may agree), by the applicable Borrower to any Issuing Bank, and such Issuing Bank shall give the Administrative Agent, prompt notice thereof by telecopier. Each such notice of issuance of a Letter of Credit (a "**Notice of Issuance**") shall be by telephone, confirmed immediately in writing, or telecopier, specifying therein the requested (A) date of such issuance (which shall be a Business Day), (B) Available Amount of such Letter of Credit, (C) expiration date of such Letter of Credit, (D) name and address of the beneficiary of such Letter of Credit and (E) form of such Letter of Credit, and shall be accompanied by such customary application and agreement for letter of credit as such Issuing Bank may specify to the Borrower for use in connection with such requested Letter of Credit (a "**Letter of Credit Agreement**"). If the requested form of such Letter of Credit is acceptable to such Issuing Bank in its sole discretion, such Issuing Bank will, upon fulfillment of the applicable conditions set forth in Article III, make such Letter of Credit available to the applicable Borrower at its office referred to in Section 9.02 or as otherwise agreed with such Borrower in connection with such issuance. In the event and to the extent that the provisions of any Letter of Credit Agreement shall conflict with this Agreement, the provisions of this Agreement shall govern.

(b) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the applicable Issuing Bank or the Lenders, such Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from such Issuing Bank, a participation in such Letter of Credit equal to such Lender's Pro Rata Share of the aggregate amount available to be drawn under such Letter of Credit. Each Borrower hereby agrees to each such participation. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of such Issuing Bank, such Lender's Pro Rata Share of each drawing made under a Letter of Credit funded by such Issuing Bank and not reimbursed by the applicable Borrower on the date made, or of any reimbursement payment required to be refunded to any Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance

of a Default or reduction or termination of the Revolving Credit Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender further acknowledges and agrees that its participation in each Letter of Credit will be automatically adjusted to reflect such Lender's Pro Rata Share of the Available Amount of such Letter of Credit at each time such Lender's Revolving Credit Commitment is amended pursuant to a Commitment Increase in accordance with Section 2.19, an assignment in accordance with Section 9.07 or otherwise pursuant to this Agreement.

(c) Drawing and Reimbursement. The payment by an Issuing Bank of a draft drawn under any Letter of Credit shall constitute for all purposes of this Agreement the making by any such Issuing Bank of an Advance to the Borrower for whose account such Letter of Credit was issued, which shall be a Base Rate Advance, in the amount of such draft. Each Issuing Bank shall give prompt notice (and such Issuing Bank will use its commercially reasonable efforts to deliver such notice within one Business Day) of each drawing under any Letter of Credit issued by it to the applicable Borrower and the Administrative Agent. Upon written demand by such Issuing Bank made to the Administrative Agent, which the Administrative Agent shall forward to each Lender, each Lender shall pay to the Administrative Agent such Lender's Pro Rata Share of such outstanding Advance, by making available to the Administrative Agent for the account of such Issuing Bank, by deposit to the Administrative Agent's Account, in same day funds, an amount equal to the portion of the outstanding principal amount of such Advance to be funded by such Lender. Promptly after receipt thereof, the Administrative Agent shall transfer such funds to such Issuing Bank. Each Lender agrees to fund its Pro Rata Share of an outstanding Advance on (i) the Business Day on which demand therefor is made by such Issuing Bank, *provided* that notice of such demand is given not later than 11:00 A.M. (New York City time) on such Business Day, or (ii) the first Business Day next succeeding such demand if notice of such demand is given after such time. If and to the extent that any Lender shall not have so made the amount of such Advance available to the Administrative Agent, such Lender agrees to pay to the Administrative Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by any such Issuing Bank until the date such amount is paid to the Administrative Agent, at the Federal Funds Rate for its account or the account of such Issuing Bank, as applicable. If such Lender shall pay to the Administrative Agent such amount for the account of any such Issuing Bank on any Business Day, such amount so paid in respect of principal shall constitute an Advance made by such Lender on such Business Day for purposes of this Agreement, and the outstanding principal amount of the Advance made by such Issuing Bank shall be reduced by such amount on such Business Day.

(d) Letter of Credit Reports. Each Issuing Bank shall furnish (i) to the Administrative Agent on the first Business Day following the issuance, increase of Available Amount, expiration or drawing of a Letter of Credit issued by it, a written report summarizing such issuance, increase, expiry or drawing and (ii) to the Administrative Agent and each Lender on the first Business Day of each calendar quarter a written report setting forth the average daily aggregate Available Amount during the preceding calendar quarter of all Letters of Credit issued by it.

(e) Failure to Make Advances. The failure of any Lender to make the Advance to be made by it on the date specified in Section 2.03(c) shall not relieve any other

Lender of its obligation hereunder to make its Advance on such date, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on such date.

SECTION 2.04. Fees. (a) **Facility Fee.** Each Borrower jointly and severally agrees to pay to the Administrative Agent, for the account of each Lender, a facility fee (the "**Facility Fee**") on the daily amount of such Lender's Revolving Credit Commitment (whether used or unused) from the Effective Date in the case of each Initial Lender and from the effective date specified in the Assignment and Acceptance or the Assumption Agreement, as the case may be, pursuant to which it became a Lender in the case of each other Lender until, in each case, the Termination Date applicable to such Lender at a rate per annum equal to the Applicable Percentage in effect from time to time, payable in arrears quarterly on the last Business Day of each March, June, September and December, commencing December 31, 2007, and on the Termination Date applicable to such Lender.

(b) **Letter of Credit Fees.** (i) Each Borrower for whose account a Letter of Credit has been issued shall pay to the Administrative Agent for the account of each Lender a commission on such Lender's Pro Rata Share of the average daily aggregate Available Amount of all Letters of Credit issued on its account and outstanding from time to time at a rate per annum equal to the Applicable Margin for Eurodollar Rate Advances in effect from time to time, payable in arrears quarterly on the last Business Day of each March, June, September and December, commencing December 31, 2007, and on the Termination Date applicable to such Lender, and after the final Termination Date payable upon demand; *provided* that the Applicable Margin shall increase by 2% upon the occurrence and during the continuation of an Event of Default if the Borrower is required to pay default interest pursuant to Section 2.07(b).

(ii) The applicable Borrower shall pay to each Issuing Bank for its own account an issuance fee on the average daily aggregate Available Amount of all Letters of Credit issued by such Issuing Bank in an amount agreed in writing by the Company and such Issuing Bank, payable in arrears quarterly on the last Business Day of each March, June, September and December, commencing December 31, 2007, and on the Termination Date applicable to such Issuing Bank, and after such Termination Date payable upon demand, and such other reasonable and customary presentation, amendment and other processing fees as may from time to time be agreed in writing between the Company and such Issuing Bank.

(c) **Agents' Fees.** The Company shall pay to each of the Administrative Agent and the Syndication Agent, for its own account, such fees as may from time to time be agreed in various fee letters between the Company, on the one hand, and the Administrative Agent or the Syndication Agent, on the other hand.

SECTION 2.05. Termination or Reduction of the Commitments. (a) The Borrowers shall have the right, upon at least three Business Days' notice to the Administrative Agent, to irrevocably terminate in whole or reduce ratably in part the aggregate Unused Commitments of the Lenders; *provided* that each partial reduction shall be in the aggregate amount of \$25,000,000 or an integral multiple of \$1,000,000 in excess thereof or, if less, the aggregate amount of the Revolving Credit Commitments at such time.

(b) The Borrowers shall have the right, upon at least three Business Days' notice to the Administrative Agent, to terminate in whole or permanently reduce ratably in part the unused Letter of Credit Commitments of the Issuing Banks, *provided* that each partial reduction (i) shall be in the aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and (ii) shall, to the extent practicable, be made ratably among the Issuing Banks in accordance with their Letter of Credit Commitments.

SECTION 2.06. Repayment of Advances. (a) Repayment of Advances. Each Borrower shall repay to the Administrative Agent, for the account of each Lender, on the Termination Date applicable to such Lender, the aggregate principal amount of all Advances made to such Borrower by such Lender and outstanding on such date.

(b) Letter of Credit Reimbursements. The obligations of each Borrower under this Agreement, any Letter of Credit Agreement and any other agreement or instrument, in each case, relating to any Letter of Credit shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement, such Letter of Credit Agreement and such other agreement or instrument under all circumstances, including, without limitation, the following circumstances (it being understood that any such payment by any Borrower is without prejudice to, and does not constitute a waiver of, any rights such Borrower might have or might acquire as a result of the payment by any Issuing Bank of any draft or the reimbursement by such Borrower thereof):

(i) any lack of validity or enforceability of this Agreement, any Letter of Credit, any Letter of Credit Agreement or any other agreement or instrument, in each case, relating thereto (all of the foregoing being, collectively, the "**L/C Related Documents**");

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of any Borrower in respect of any L/C Related Document or any other amendment or waiver of or any consent to departure from all or any of the L/C Related Documents;

(iii) the existence of any claim, set-off, defense or other right that any Borrower may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for which any such beneficiary or any such transferee may be acting), any Issuing Bank, the Administrative Agent, any Lender or any other Person, whether in connection with the transactions contemplated by the L/C Related Documents or any unrelated transaction;

(iv) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment by any Issuing Bank under a Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit;

(vi) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any guarantee, for all or any of the obligations of any Borrower in respect of the L/C Related Documents; or

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including, without limitation, any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Borrower or a guarantor.

SECTION 2.07. Interest on Advances. (a) **Scheduled Interest.** Each Borrower shall pay interest on the unpaid principal amount of each Advance made to such Borrower and owing to each Lender from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) **Base Rate Advances.** During such periods as such Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (A) the Base Rate in effect from time to time plus (B) the Applicable Utilization Fee, if any, in effect from time to time, payable in arrears quarterly on the last Business Day of each June, September, December and March during such periods and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) **Eurodollar Rate Advances.** During such periods as such Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of (A) the Eurodollar Rate for such Interest Period for such Advance *plus* (B) the Applicable Margin in effect from time to time during such Interest Period *plus* (C) the Applicable Utilization Fee, if any, in effect from time to time during such Interest Period, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurodollar Rate Advance shall be Converted or paid in full.

(b) **Default Interest.** Upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), each Borrower shall pay interest on:

(i) the unpaid principal amount of each Advance made to such Borrower and owing to each Lender, payable in arrears on the dates referred to in Section 2.07(a)(i) or 2.07(a)(ii), at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Advance pursuant to Section 2.07(a)(i) or 2.07(a)(ii), as applicable;

(ii) to the fullest extent permitted by applicable law, the amount of any interest, fees or other amounts owing by such Borrower to the Administrative Agent or any Lender under this Agreement or any Note that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on Base Rate Advances pursuant to Section 2.07(a)(i).

(c) Additional Interest on Eurodollar Rate Advances. Each Borrower shall pay to each Lender, so long as and to the extent such Lender shall be required under regulations of the Board of Governors of the Federal Reserve System to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency liabilities, additional interest on the unpaid principal amount of each Eurodollar Rate Advance of such Lender, from the date of such Eurodollar Rate Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (a) the Eurodollar Rate for the applicable Interest Period for such Eurodollar Rate Advance from (b) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% *minus* the Eurodollar Rate Reserve Percentage of such Lender for such Interest Period, payable on each date on which interest is otherwise payable on such Eurodollar Rate Advance. Such Lender shall as soon as practicable provide notice to the Administrative Agent and the Borrowers of any such additional interest arising in connection with any such Eurodollar Rate Advance, which notice shall be conclusive and binding, absent manifest error; *provided, however,* that no Lender shall be entitled to additional interest on any Eurodollar Rate Advance pursuant to this Section 2.07(c) for any period occurring more than 90 days prior to the date that notice of such additional interest is first provided by such Lender to the Borrowers.

SECTION 2.08. Interest Rate Determination. (a) Each Reference Bank agrees to furnish to the Administrative Agent timely information for the purpose of determining each Eurodollar Rate in accordance with clause (b) of the definition thereof set forth in Section 1.01. If any one of the Reference Banks shall not furnish such timely information to the Administrative Agent for the purpose of determining any such interest rate, the Administrative Agent shall determine such interest rate on the basis of timely information furnished by the remaining Reference Banks. The Administrative Agent shall give prompt notice to the Borrowers and the Lenders of the applicable interest rate determined by the Administrative Agent for purposes of Section 2.07(a)(i) or 2.07(a)(ii) and, if applicable, the rate, if any, furnished by each Reference Bank for the purpose of determining the interest rate under Section 2.07(a)(ii).

(b) If, with respect to any Eurodollar Rate Advances, the Required Lenders notify the Administrative Agent that the Eurodollar Rate for any Interest Period for such Eurodollar Rate Advances will not adequately reflect the cost to such Required Lenders of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period, the Administrative Agent shall forthwith so notify the affected Borrowers and the Lenders, whereupon (i) such Eurodollar Rate Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances and (ii) the obligation of the Lenders to make Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the Borrowers and the Lenders that the circumstances causing such suspension no longer exist.

(c) If any Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances made or to be made to such Borrower in accordance with the provisions contained in the definition of "*Interest Period*" set forth in Section 1.01, the Administrative Agent will forthwith so notify such Borrower and the Lenders and such Eurodollar Rate Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances.

(d) Upon the occurrence and during the continuance of any Event of Default under Section 6.01(a), each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance.

(e) If fewer than two Reference Banks furnish timely information to the Administrative Agent for determining the Eurodollar Rate for any Eurodollar Rate Advances in accordance with clause (b) of the definition thereof set forth in Section 1.01:

(i) the Administrative Agent shall forthwith notify the affected Borrower and the Lenders that the interest rate cannot be determined for such Eurodollar Rate Advances;

(ii) each such Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance (or, if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance); and

(iii) the obligation of the Lenders to make Eurodollar Rate Advances, or to Convert Advances into Eurodollar Rate Advances, shall be suspended until the Administrative Agent shall notify the Borrowers and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.09. Optional Conversion of Advances. Each Borrower may on any Business Day on which no Default has occurred and is continuing, upon notice given to the Administrative Agent not later than 2:00 P.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion in the case of a Conversion of Base Rate Advances into Eurodollar Rate Advances or of Eurodollar Rate Advances of one Interest Period into Eurodollar Rate Advances of another Interest Period, or not later than 1:00 P.M. (New York City time) on the same Business Day as the date of the proposed Conversion in the case of a Conversion of Eurodollar Rate Advances into Base Rate Advances, and, in any case, subject to the provisions of Sections 2.08, 2.09 and 2.13, Convert all Advances comprising one or more Borrowings into one or more Borrowings comprised of Advances; *provided, however,* that:

(a) No Conversion of Advances shall result in any Borrowing failing to comply with the second sentence of Section 2.01(a); and

(b) In the case of any Conversion of Eurodollar Rate Advances of one Interest Period into Eurodollar Rate Advances of another Interest Period or of Eurodollar Rate Advances into Base Rate Advances other than on the last day of an Interest Period therefor, the Borrower requesting such Conversion shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 9.04(c).

Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion (which shall be a Business Day), (ii) the Advances to be Converted and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on the Borrower requesting such Conversion.

SECTION 2.10. Optional Prepayments of Advances. Each Borrower may, upon at least the same Business Day's notice to the Administrative Agent received not later than 11:00 A.M. (New York City time) in the case of a Borrowing consisting of Base Rate Advances, and upon at least three Business Days' notice to the Administrative Agent received not later than 2:00 P.M. (New York City time) in the case of a Borrowing consisting of Eurodollar Rate Advances, stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given such Borrower shall prepay the outstanding principal amount of the Advances comprising part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; *provided, however,* that (i) each partial prepayment or repurchase, as the case may be, shall be in an aggregate amount of not less than \$10,000,000 and (ii) in the case of any such prepayment of Eurodollar Rate Advances, such Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 9.04(c).

SECTION 2.11. Increased Costs. (a) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the Eurodollar Rate Reserve Percentage) in or in the interpretation of any law, rule or regulation or (ii) the compliance with, or the implementation or administration (or change in the administration or enforcement) of, any directive, guideline or request from any central bank or other Governmental Authority, whether or not having the force of law, there shall be any increase in the cost to any Lender of agreeing to make or making, to purchase or purchasing, funding or maintaining Eurodollar Rate Advances or agreeing to issue or of issuing or maintaining or participating in Letters of Credit, or any reduction in the amount owing to, or effective return earned or realizable by, any Lender under this Agreement or any Note in respect of any such Advances or Letters of Credit, as the case may be (including for purposes of this Section 2.11 any such increased costs resulting from Taxes or Other Taxes for which the Borrowers are obligated to reimburse the Administrative Agent or the Lenders under Section 2.14), then the Borrowers jointly and severally agree to pay from time to time to the Administrative Agent, for the account of such Lender, additional amounts sufficient to compensate such Lender for all such increased costs or reduced amounts or return, such additional compensation to be paid by the Borrowers within 15 days of the date of demand therefor by such Lender (with a copy of such demand to the Administrative Agent) for all additional compensation accrued prior to such demand and on the dates specified by such Lender in such demand for all such additional compensation owing to such Lender thereafter; *provided, however;* that if a Lender fails to deliver a demand for any additional compensation to which it is entitled under this Section 2.11(a) within 180 days after such Lender becomes entitled thereto, such Lender shall only be entitled to additional compensation for any such amounts incurred prior to the date of such demand that accrued from and after the date that is 180 days prior to the date such Lender delivers such demand and for all such additional compensation that shall accrue on and after the date of such demand; and *provided further, however;* that before making any such demand, each Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office if the making of such a designation would avoid the need for, or reduce the amount of, such increased cost or reduced amount or return and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate as to the amount of such increased cost or reduced amount or return in reasonable detail (including the basis of calculation thereof),

submitted to the Borrowers and the Administrative Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender determines that compliance with any law, rule or regulation or any directive, guideline or request from any central bank or other Governmental Authority, or any change therein or in the implementation, administration or enforcement thereof, that is enacted or becomes effective, or is implemented or is first required or expected to be complied with, after the date of this Agreement, whether or not having the force of law, affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or is based upon the existence of such Lender's commitment to lend or to issue or participate in Letters of Credit hereunder and other commitments of this type or the issuance or maintenance of or participation in the Letters of Credit (or similar contingent obligations), then the Borrowers jointly and severally agree to pay from time to time to the Administrative Agent, for the account of such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend or to issue or participate in Letters of Credit hereunder or the issuance or maintenance of or participation in the Letters of Credit, such additional compensation to be paid by the Borrowers within 15 days of the date of demand therefor by such Lender (with a copy of such demand to the Administrative Agent) for all additional compensation accrued prior to such demand and on the dates specified by such Lender in such demand for all such additional compensation owing to such Lender thereafter; *provided, however,* that if a Lender fails to deliver a demand for any additional compensation to which it is entitled under this Section 2.11(b) within 180 days after such Lender becomes entitled thereto, such Lender shall only be entitled to additional compensation for any such amounts incurred prior to the date of such demand that accrued from and after the date that is 180 days prior to the date such Lender delivers such demand and for all such additional compensation that shall accrue on and after the date of such demand. A certificate as to such amounts in reasonable detail (including the basis of calculation thereof), submitted to the Borrowers and the Administrative Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(c) If a Lender demands additional compensation under Section 2.11(a) or 2.11(b) with respect to Eurodollar Rate Advances, the Borrowers may (but shall not be obligated to), upon at least five Business Days' notice to such Lender (with a copy of such notice to the Administrative Agent), elect that, until the circumstances causing such demand for additional compensation no longer apply to such Lender, all Eurodollar Rate Advances that would otherwise be made by such Lender as part of any Borrowing shall be made instead as Base Rate Advances, and all payments of principal of and interest on such Base Rate Advances shall be made at the same time as payments on the Eurodollar Rate Advances otherwise comprising part of such Borrowing.

SECTION 2.12. Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law, rule or regulation makes it unlawful, or any central bank or other Governmental Authority asserts that it is unlawful, for any Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances, or to

fund or maintain Eurodollar Rate Advances, (a) each Eurodollar Rate Advance of such Lender will automatically, on the last day of the Interest Period then in effect therefor if permitted by applicable law or otherwise upon demand, Convert into a Base Rate Advance and (b) the obligation of such Lender to make Eurodollar Rate Advances or to Convert Advances into Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the Borrowers (promptly following notice from such Lender) that the circumstances causing such suspension no longer exist; *provided, however,* that before making any such demand, each Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Eurodollar Lending Office if the making of such a designation would allow such Lender or its Eurodollar Lending Office to continue to perform its obligations to make Eurodollar Rate Advances or to continue to fund or maintain Eurodollar Rate Advances and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender. If the obligation of a Lender to make Eurodollar Rate Advances is suspended pursuant to this Section 2.12, then, until the circumstances causing such suspension no longer apply to such Lender, all Eurodollar Rate Advances that would otherwise be made by such Lender as part of any Borrowing shall be made instead as Base Rate Advances, and all payments of principal of and interest on such Base Rate Advances shall be made at the same time as payments on the Eurodollar Rate Advances otherwise comprising part of such Borrowing.

SECTION 2.13. Payments and Computations. (a) Each Borrower shall make each payment required to be made by it hereunder and under the Notes not later than 11:00 A.M. (New York City time) on the day when due in US Dollars to the Administrative Agent at the Administrative Agent's Account, in same day funds. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or the Facility Fee ratably (other than amounts payable pursuant to Section 2.02(c), 2.07(c), 2.11, 2.12, 2.14, 2.15, 2.17 or 9.04(c)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 9.07(d), from and after the effective date specified in such Assignment and Acceptance, the Administrative Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves. Upon any Assuming Lender becoming a Lender hereunder as a result of an extension of the Termination Date pursuant to Section 2.17, and upon the Administrative Agent's receipt of such Lender's Assumption Agreement and recording the information contained therein in the Register pursuant to Section 2.17(d), from and after the applicable Extension Date, the Administrative Agent shall make all payments hereunder and under the Notes in respect of the interest assumed thereby to the Assuming Lender. Upon any Assuming Lender becoming a Lender hereunder as a result of a Commitment Increase pursuant to Section 2.19, and upon the Administrative Agent's receipt of such Lender's Assumption Agreement and recording the information contained therein in the Register pursuant to Section 2.19(d), from and after the applicable Increase Date, the Administrative Agent shall make all payments hereunder and under the Notes in respect of the interest assumed thereby to the Assuming Lender.

(b) All computations of interest that are based on clause (a) of the definition of "Base Rate" set forth in Section 1.01 and of Facility Fees shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest that are otherwise based on the Eurodollar Rate or that are based on the Federal Funds Rate and of the Applicable Utilization Fee and Letter of Credit commissions shall be made by the Administrative Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest, fees or commissions are payable. Each determination by the Administrative Agent of an interest rate, fee or commission hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest, fees or commissions, as the case may be; *provided, however*, that, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the immediately preceding Business Day.

(d) Unless the Administrative Agent shall have received notice from the Borrower required to make any payment hereunder prior to the date on which such payment is due to the Lenders hereunder that such Borrower will not make such payment in full, the Administrative Agent may assume that such Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent such Borrower shall not have so made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender, together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

SECTION 2.14. Taxes. (a) Any and all payments by any Borrower hereunder or under the Notes shall be made, in accordance with Section 2.13, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, *excluding*, in the case of each Lender and the Administrative Agent, taxes imposed on its overall net income and franchise taxes imposed on it by the jurisdiction under the laws of which such Lender or the Administrative Agent, as the case may be, is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its overall net income and franchise taxes imposed on it by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or under any of the Notes being hereinafter referred to as "**Taxes**"). If any Borrower shall be required by applicable law to deduct any Taxes from or in respect of any sum paid or payable hereunder or under any Note to any Lender or the Administrative Agent, or, if the Administrative Agent shall be required by law to deduct any Taxes from or in respect of any sum paid or payable hereunder or under any Note to any Lender, (i) the sum payable by such Borrower shall be increased by such Borrower as may be necessary so that, after making all

required deductions (including deductions, whether by such Borrower or the Administrative Agent, applicable to additional sums payable under this Section 2.14), such Lender and the Administrative Agent each receive an amount equal to the sum they each would have received had no such deductions been made (for example, and without limitation, if the sum paid or payable hereunder from or in respect of which a Borrower or the Administrative Agent shall be required to deduct any Taxes is interest, the interest payable by such Borrower shall be increased by such Borrower as may be necessary so that, after making all required deductions (including deductions applicable to additional interest), such Lender and the Administrative Agent each receive interest equal to the interest they each would have received had no such deduction been made), (ii) such Borrower (or, as the case may be and as required by applicable law, the Administrative Agent) shall make such deductions and (iii) such Borrower (or, as the case may be and as required by applicable law, the Administrative Agent) shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, performance under, or otherwise with respect to, this Agreement or any of the Notes (hereinafter referred to as "**Other Taxes**").

(c) Each Borrower shall indemnify each Lender and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any taxes imposed by any jurisdiction on amounts payable under this Section 2.14) imposed on or paid by such Lender or the Administrative Agent, as the case may be, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender or the Administrative Agent, as the case may be, makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, each Borrower shall furnish to the Administrative Agent, at its address referred to in Section 9.02, the original or a certified copy of a receipt evidencing payment thereof. In the case of any payment hereunder or under any of the Notes, if any Borrower determines that no Taxes are payable in respect thereof, such Borrower shall within 30 days after any request from the Administrative Agent or any Lender furnish to the Administrative Agent or such Lender a certificate from the appropriate taxing authority or an opinion of counsel or of independent certified public accountants acceptable to the Administrative Agent or such Lender, as the case may be, stating that such payment is exempt from Taxes.

(e) Each Lender shall (i) promptly after the Effective Date in the case of each Initial Lender and promptly after the date of the Assignment and Acceptance or the Assumption Agreement, as the case may be, pursuant to which it became a Lender in the case of each other Lender and (ii) from time to time thereafter upon the obsolescence or expiration of any previously delivered form or certificate (but only so long as such Lender remains lawfully able to do so), provide the Company and the Administrative Agent with any form or certificate that is required by any taxing authority (including, if applicable, two original Internal Revenue Service forms W-8BEN or W-8ECI, as appropriate (or any successor form or other form prescribed by the Internal Revenue Service), an original Internal Revenue Service form W-9 (or any successor

form), or to the extent permitted by applicable law, as an alternative to forms W-8BEN or W-8ECI, two original Internal Revenue Service forms W-8 (or any successor form prescribed by the Internal Revenue Service), certifying that such Lender is exempt from United States federal withholding tax pursuant to Section 871(h) or 881(c) of the Internal Revenue Code, together with an annual certificate stating that such Lender is not a "person" or other entity described in Section 871(h)(3) or 881(c)(3) of the Internal Revenue Code) as shall be appropriate to establish, subject to the last sentence of this Section 2.14(e), that such Lender is exempt from Home Jurisdiction Withholding Taxes on payments pursuant to this Agreement or the Notes (or, in the case of a Lender that becomes a party to this Agreement pursuant to Section 2.17, 2.19 or 9.07(a), (b) and (c), exempt from or entitled to a reduced rate of Home Jurisdiction Withholding Taxes on payments pursuant to this Agreement or the Notes that is no greater than the rate to which the Non-Consenting Lender or the assigning Lender, as applicable, was entitled); *provided, however*, that such Lender shall have been advised in writing by each Borrower (including at the time any renewal form is due) of the form or certificate applicable to it, determined by reference to the jurisdiction of organization and Applicable Lending Offices of such Lender set forth on Schedule I hereto, in the case of each Initial Lender, or to the jurisdiction of organization and Applicable Lending Offices of such Lender set forth in the Assignment and Acceptance or the Assumption Agreement, as the case may be, pursuant to which it became a Lender, in the case of each other Lender, or such other branch or office of such Lender designated by such Lender from time to time as the branch or office at which any of its Advances are to be made or maintained. Each Lender shall promptly notify the Company and the Administrative Agent if, because of any change in the jurisdiction of organization or an Applicable Lending Office of such Lender, (A) it is required to withdraw or cancel any form or certificate previously submitted by it or any form or certificate has otherwise become ineffective or inaccurate or (B) payments to it are or will be subject to withholding of any Home Jurisdiction Withholding Tax to a greater or lesser extent than the extent to which payments to it pursuant to this Agreement or the Notes were previously subject. If any form or document referred to in this Section 2.14(e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form W-8BEN or W-8ECI, that the Lender reasonably considers to be confidential, the Lender shall give notice thereof to the Company and the Administrative Agent and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Lender has failed, within 30 days of such Lender's receipt of written advice to such effect from any Borrower, to provide the Company and such Borrower with the appropriate form or certificate described in Section 2.14(e) (*other than* if such failure is due to a change in law (including, without limitation, any change in regulation or change in the interpretation of any statute or regulation or other rule of law) occurring subsequent to the date on which a form originally was required to be provided, or if such form otherwise is not required under the first sentence of Section 2.14(e)), such Lender shall not be entitled to indemnification under Section 2.14(a) or 2.14(c) with respect to Taxes imposed by the United States by reason of such failure; *provided, however*, that should a Lender become subject to Taxes because of its failure to deliver a form required hereunder, the Borrowers shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(g) Notwithstanding the foregoing provisions of this Section 2.14, no Borrower shall be required to pay any additional amount to any Lender or the Administrative Agent pursuant to Section 2.14(a) or 2.14(c) in respect of withholding for United States income taxes or United States back-up withholding taxes, except to the extent such taxes are required to be withheld as a result of any amendment to the laws (or any regulations thereunder) of the United States or any amendment to, or change in, any interpretation or application of any such laws or regulations by any Governmental Authority.

(h) Any Lender claiming additional amounts payable pursuant to this Section 2.14 (including, without limitation, any additional amounts that any Lender would be entitled to claim under this Section 2.14 with respect to payments from a Designated Subsidiary that becomes a Borrower pursuant to Section 9.08) shall use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to file any certificate or document requested by any Borrower or to change the jurisdiction of its Applicable Lending Office if the making of such filing or change would avoid the need for or reduce the amount of any such additional amounts which may thereafter accrue and would not, in the sole judgment of such Lender, be disadvantageous to such Lender. Each Borrower shall promptly upon request by any Lender or the Administrative Agent take all actions (including, without limitation, the completion of forms and the provision of information to the appropriate taxing authorities) reasonably requested by such Lender or the Administrative Agent to secure the benefit of any exemption from, or relief with respect to, Taxes or Other Taxes in relation to any amounts payable under this Agreement.

(i) In the event that an additional payment is made under Section 2.14(a) or 2.14(c) for the account of any Lender and such Lender, in its sole opinion, determines that it has received or been granted a credit against or release or remission for, or repayment of, any tax paid or payable by it in respect of or calculated with reference to the deduction or withholding giving rise to such payment, such Lender shall, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Company or to the applicable Borrower such amount as such Lender shall, in its sole opinion, have determined to be attributable to such deduction or withholding and as will leave such Lender (after such payment) in no better or worse position than it would have been in if such Borrower had not been required to make such deduction or withholding. Nothing contained in this Section 2.14 shall interfere with the right of a Lender to arrange its tax affairs in whatever manner it deems proper nor oblige any Lender to claim any tax credit or to disclose any information relating to its tax affairs or any computations in respect thereof or require any Lender to do anything that would prejudice its ability to benefit from any other credits, reliefs, remissions or repayments to which it may be entitled.

SECTION 2.15. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff or otherwise) on account of the Advances owing to it (other than pursuant to Section 2.02(c), 2.07(c), 2.11, 2.12, 2.14 or 9.04) in excess of its Pro Rata Share of payments on account of the Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; *provided, however,* that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the

purchasing Lender the purchase price to the extent of such recovery, together with an amount equal to such Lender's Pro Rata Share (according to the proportion of (a) the amount of such Lender's required repayment to (b) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. Each Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by applicable law, exercise all of its rights of payment (including the right of setoff) with respect to such participation as fully as if such Lender were the direct creditor of such Borrower in the amount of such participation.

SECTION 2.16. Defaulting Lenders. If, at any time, (a) any Lender shall be a Defaulting Lender, (b) such Defaulting Lender shall owe a Defaulted Advance to any Borrower and (c) such Borrower shall be required to make any payment under this Agreement or under any Note to or for the account of such Defaulting Lender, then such Borrower may, so long as no Default under Section 6.01(a) or 6.01(e) or Event of Default shall have occurred and be continuing and to the fullest extent permitted by applicable law, set off and otherwise apply the obligation of such Borrower to make such payment to or for the account of such Defaulting Lender against the obligation of such Defaulting Lender to make such Defaulted Advance. If, on any date, any Borrower shall so set off and otherwise apply its obligation to make any such payment against the obligation of such Defaulting Lender to make any such Defaulted Advance on or prior to such date, the amount so set off and otherwise applied by such Borrower shall constitute for all purposes of this Agreement and the Notes an Advance by such Defaulting Lender on the date such Defaulted Advance was originally required to have been made pursuant to Sections 2.01 and 2.02. Such Advance shall be a Base Rate Advance, even if the other Advances comprising such Borrowing shall be Eurodollar Rate Advances on the date such Advance is deemed to be made pursuant to this Section 2.16, and, in any such case, shall be considered for all purposes of this Agreement to comprise part of the Borrowing in connection with which such Defaulted Advance was originally required to have been made pursuant to Sections 2.01 and 2.02. Each Borrower shall promptly notify the Administrative Agent at any time such Borrower exercises its right of setoff pursuant to this Section 2.16 and shall set forth in such notice (A) the name of the Defaulting Lender and the Defaulted Advance required to be made by such Defaulting Lender and (B) the amount set off and otherwise applied in respect of such Defaulted Advance pursuant to this Section 2.16.

SECTION 2.17. Extension of Termination Date. (a) At least 60 days but not more than 90 days prior to any Anniversary Date but in any event not more than twice prior to the Termination Date in effect on the date hereof, the Company, by written notice to the Administrative Agent, may request an extension of the Termination Date in effect at such time by one calendar year from the Agreement's then scheduled expiration. The Administrative Agent shall promptly notify each Lender of such request, and each Lender shall in turn, in its sole discretion, within 15 days of such notice but not later than 45 days prior to such next Anniversary Date, notify the Administrative Agent in writing as to whether such Lender will consent to such extension. If any Lender shall fail to notify the Administrative Agent in writing of its consent to, or refusal of, any such request for extension of the Termination Date at least 45 days prior to the next Anniversary Date, such Lender shall be deemed to be a Non-Consenting Lender with respect to such request. The Administrative Agent shall notify the Company not later than 40 days prior to such next Anniversary Date of the decision of the Lenders regarding

the Company's request for an extension of the Termination Date. It is understood and agreed that no Lender shall have any obligation whatsoever to agree to any request made by the Company for an extension of the Termination Date.

(b) If all of the Lenders consent in writing to any such request in accordance with subsection (a) of this Section 2.17 and upon fulfillment of the applicable conditions set forth in Article III, the Termination Date in effect at such time shall, effective as at such next Anniversary Date (the "**Extension Date**"), be extended for one calendar year. If less than all of the Lenders consent in writing to any such request in accordance with subsection (a) of this Section 2.17, the Termination Date in effect at such time shall, upon fulfillment of the applicable conditions set forth in Article III, effective as at the applicable Extension Date, be extended as to those Lenders that so consented (each, a "**Consenting Lender**") but shall not be extended as to any other Lender (each, a "**Non-Consenting Lender**"); *provided* that at least a majority in interest of the aggregate Commitments at such time (after giving effect to any assumptions of the Commitments of Non-Consenting Lenders in accordance with subsection (c) of this Section 2.17) consent in writing to any such request for extension of the Termination Date. To the extent that the Termination Date is not extended as to any Lender pursuant to this Section 2.17 and the Commitment of such Lender is not assumed in accordance with subsection (c) of this Section 2.17 on or prior to the applicable Extension Date, the Commitment of such Non-Consenting Lender shall automatically terminate in whole on such unextended Termination Date without any further notice or other action by the Company, such Lender or any other Person; *provided* that such Non-Consenting Lender's rights under Sections 2.10, 2.13 and 9.04, and its obligations under Section 8.05, shall survive the Termination Date for such Lender as to matters occurring prior to such Extension Date.

(c) If less than all of the Lenders consent to any such request pursuant to subsection (a) of this Section 2.17, the Company may arrange for one or more Consenting Lenders or other Eligible Assignees to assume, effective as of the Extension Date, any Non-Consenting Lender's Commitment and all of the rights and obligations of such Non-Consenting Lender under this Agreement thereafter arising (each Eligible Assignee assuming the Commitment of one or more Non-Consenting Lenders pursuant to this Section 2.17, or becoming a party to this Agreement in accordance with Section 2.19, being an "**Assuming Lender**"), without recourse to or warranty by, or expense to, such Non-Consenting Lender; *provided, however*, that the amount of the Commitment of any such Assuming Lender shall in no event be less than \$10,000,000 unless the amount of the Commitment of such Non-Consenting Lender is less than \$10,000,000, in which case such Assuming Lender shall assume all of such lesser amount; and *provided further* that:

(i) any such Consenting Lender or Assuming Lender shall have paid to such Non-Consenting Lender the aggregate principal amount of, and any interest accrued and unpaid to the effective date of such assumption on, the outstanding Advances, if any, of such Non-Consenting Lender;

(ii) any accrued and unpaid Facility Fees owing to such Non-Consenting Lender as of the effective date of such assumption, and all other accrued and unpaid amounts owing to such Non-Consenting Lender under this Agreement and the Notes as

of the effective date of such assumption, shall have been paid to such Non-Consenting Lender by the Borrower or such Consenting Lender or Assuming Lender; and

(iii) with respect to any such Assuming Lender, the applicable processing and recordation fee required under Section 9.07(a) shall have been paid.

At least three Business Days prior to any Extension Date, (A) each such Assuming Lender, if any, shall have delivered to the Company and the Administrative Agent an Assumption Agreement, duly executed by such Assuming Lender, such Non-Consenting Lender, the Company and the Administrative Agent, (B) each such Consenting Lender, if any, shall have delivered written confirmation satisfactory to the Company and the Administrative Agent as to any increase in the amount of its Commitment resulting from its assumption of one or more Commitments of the Non-Consenting Lenders and (C) each Non-Consenting Lender being replaced pursuant to this Section 2.17(c) shall have delivered to the Administrative Agent, to be held in escrow on behalf of such Non-Consenting Lender until the payment in full of all amounts owing to such Non-Consenting Lender under clauses (i) and (ii) of this Section 2.17(c), any Note or Notes held by such Non-Consenting Lender. Upon the payment or prepayment of all amounts referred to in clauses (i) through (iii) of this Section 2.17(c), each such Consenting Lender or Assuming Lender, as of the Extension Date, will be substituted for the applicable Non-Consenting Lender(s) under this Agreement and shall be a Lender for all purposes of this Agreement, without any further acknowledgment by or the consent of any of the other Lenders, and the obligations of each such Non-Consenting Lender hereunder shall, by the provisions hereof, be released and discharged.

(d) If a majority in interest of the Lenders (after giving effect to any assumptions pursuant to subsection (c) of this Section 2.17) consent in writing to a requested extension (whether by execution and delivery of an Assumption Agreement or otherwise) not later than one Business Day prior to an Extension Date, the Administrative Agent shall so notify the Company, and, upon fulfillment of the applicable conditions set forth in Article III, the Termination Date then in effect shall be extended for an additional one-year period, as described in subsection (a) of this Section 2.17, and all references in this Agreement and in the Notes to the "Termination Date" shall, with respect to each Consenting Lender and each Assuming Lender for such Extension Date, refer to the Termination Date as so extended. Promptly following each Extension Date, the Administrative Agent shall notify the Lenders (including, without limitation, each Assuming Lender) of the extension of the scheduled Termination Date in effect immediately prior thereto and shall thereupon record in the Register the relevant information with respect to each such Consenting Lender and each such Assuming Lender.

(e) Within ten Business Days after each Extension Date, each Borrower shall, at its own expense, execute and deliver to the Administrative Agent Notes payable to the order of each Consenting Lender that has requested a Note in accordance with Section 2.20 (in the case of each such Consenting Lender, in exchange for the Note surrendered by such Consenting Lender to the Administrative Agent), if any, and each Assuming Lender, if any, in each case dated such Extension Date and in substantially the form of Exhibit A hereto and in an amount equal to the Commitment of such Consenting Lender or Assuming Lender, as the case may be, after giving effect to such extension of the Termination Date. The Administrative Agent, upon receipt of

such Notes, shall promptly deliver such Notes to the respective Consenting Lenders and Assuming Lenders.

SECTION 2.18. Use of Proceeds. The proceeds of the Advances shall be available (and each Borrower agrees that it shall use such proceeds) solely for general corporate purposes of such Borrower and its Subsidiaries not otherwise prohibited under the terms of this Agreement.

SECTION 2.19. Increase in the Aggregate Revolving Credit Commitments. (a) The Company may, not more than twice in any calendar year, by notice to the Administrative Agent, request that the aggregate amount of the Revolving Credit Commitments be increased by an amount of \$25,000,000 or an integral multiple thereof (each a "**Commitment Increase**") to be effective as of a date that is at least 90 days prior to the Termination Date (the "**Increase Date**") as specified in the related notice to the Administrative Agent; *provided, however* that (i) in no event shall the aggregate amount of the Revolving Credit Commitments at any time exceed \$1,500,000,000 and (ii) on the date of any request by the Company for a Commitment Increase and on the related Increase Date, the applicable conditions set forth in Section 3.04 shall be satisfied.

(b) The Administrative Agent shall promptly notify such Lenders or Eligible Assignees as the Company shall identify of a request by the Company for a Commitment Increase, which notice shall include (i) the proposed amount of such requested Commitment Increase, (ii) the proposed Increase Date and (iii) the date by which such Lenders or Eligible Assignees wishing to participate in the Commitment Increase must commit to an increase in the amount of their respective Revolving Credit Commitments (the "**Commitment Date**"). The requested Commitment Increase shall be allocated among the Lenders and Eligible Assignees willing to participate therein in such amounts as are agreed between the Company and the Administrative Agent.

(c) Promptly following each Commitment Date, the Administrative Agent shall notify the Company as to the amount, if any, by which the Lenders and Eligible Assignees are willing to participate in the requested Commitment Increase. The Revolving Credit Commitment of each such Eligible Assignee shall be in a minimum amount of \$10,000,000.

(d) On each Increase Date, each bank or other entity that is not prior to such date a Lender hereunder and accepts an offer to participate in a requested Commitment Increase in accordance with Section 2.19(b) (each such bank or other entity, an "**Assuming Lender**") shall become a Lender party to this Agreement as of such Increase Date and the Revolving Credit Commitment of each bank or other entity that prior to such date is a Lender and accepts an offer to participate in such requested Commitment Increase (an "**Increasing Lender**") shall be so increased by such amount as of the Increase Date; *provided, however*, that the Administrative Agent shall have received on or before such Increase Date the following, each dated such date:

(i) (A) evidence satisfactory to the Administrative Agent of authorization of the Board of Directors of each Borrower approving the Commitment Increase, (B) Notes duly executed by each of the Borrowers to the order of each of the Assuming Lenders and the Increasing Lenders that has requested a Note in accordance with Section 2.20 and (C)

an opinion of counsel for the Borrowers (which may be in-house counsel), in substantially the form of Exhibit E-1 hereto;

(ii) an assumption agreement from each Assuming Lender, if any, in form and substance satisfactory to the Company and the Administrative Agent, duly executed by such Assuming Lender, the Administrative Agent and the Borrower; and

(iii) confirmation from each Increasing Lender, if any, of the increase in the amount of its Revolving Credit Commitment in a writing satisfactory to the Company and the Administrative Agent.

On each Increase Date, upon fulfillment of the conditions set forth in the immediately preceding sentence of this Section 2.19(d), the Administrative Agent shall notify the Lenders (including, without limitation, each Assuming Lender) and the Company, on or before 1:00 P.M. (New York City time), by telecopier, of the occurrence of the Commitment Increase to be effected on such Increase Date and shall record in the Register the relevant information with respect to each Increasing Lender and each Assuming Lender on such date. On each Increase Date each Assuming Lender and each Increasing Lender shall make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's Account, in same day funds, in the case of an Assuming Lender, an amount equal to such Assuming Lender's ratable portion of the Borrowings then outstanding (calculated based on its Commitment as a percentage of the aggregate Commitments after giving effect to the relevant Commitment Increase) and, in the case of such Increasing Lender, an amount equal to the excess of (A) such Increasing Lender's ratable portion of the Borrowings then outstanding (calculated based on its Commitment as a percentage of the aggregate Commitments after giving effect to the relevant Commitment increase) over (B) such Increasing Lender's ratable portion of the Borrowings then outstanding (based on its Commitment (without giving effect to the relevant Commitment Increase) as a percentage of the aggregate Commitments (without giving effect to such Commitment Increase)). After the Administrative Agent's receipt of such funds from each such Increasing Lender and each such Assuming Lender, the Administrative Agent will promptly thereafter cause to be distributed like funds to the other Lenders for the account of their respective Applicable Lending Offices in an amount to each other Lender such that the aggregate amount of the outstanding Advances owing to each Lender, after giving effect to such distribution equals such Lender's ratable portion of the Borrowings then outstanding (calculated based on its Commitment as a percentage of the aggregate Commitments after giving effect to the relevant Commitment Increase). On each Increase Date, each Borrower shall pay on to the Administrative Agent for the Account of each Lender amounts, if any, owing to such Lenders pursuant to Section 9.04(c).

SECTION 2.20. Evidence of Debt. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Advances. Each Borrower agrees that upon notice by any Lender to such Borrower (with a copy of such notice to the Administrative Agent) to the effect that a Note is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Advances owing to, or to be made by, such Lender, such

Borrower shall promptly execute and deliver to such Lender a Note payable to the order of such Lender in a principal amount up to the Revolving Credit Commitment of such Lender.

(b) The Register maintained by the Administrative Agent pursuant to Section 9.07(d) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assumption Agreement and each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iv) the amount of any sum received by the Administrative Agent from each Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Administrative Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be *prima facie* evidence of the amount of principal and interest due and payable or to become due and payable from each Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; *provided, however,* that the failure of the Administrative Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of any Borrower under this Agreement.

SECTION 2.21. Addition of Issuing Banks. The Company may, by notice to the Administrative Agent, request that an Eligible Assignee be added as an Issuing Bank under this Agreement and having a Letter of Credit Commitment in the amount indicated in such notice, to be effective as of a date that is at least 90 days prior to the final Termination Date (the "**Addition Date**"). On each Addition Date, each such Eligible Assignee that is not prior to such date a Lender hereunder shall become a Lender and an Issuing Bank party to this Agreement as of such Addition Date having a Letter of Credit Commitment as indicated in such notice, and each such Eligible Assignee that prior to such date is a Lender and accepts an offer to become an Issuing Bank shall become an Issuing Bank party to this Agreement as of such Addition Date having a Letter of Credit Commitment as indicated in such notice; *provided, however,* that the Administrative Agent shall have received on or before such Addition Date the following, an assumption agreement from each such Eligible Assignee, in form and substance satisfactory to the Company and the Administrative Agent, duly executed by such Eligible Assignee, the Administrative Agent and the Borrower, pursuant to which such Eligible Assignee agrees to be bound by the terms of this Agreement and to perform the obligations of an Issuing Bank hereunder. On each Addition Date, upon fulfillment of the conditions set forth in the immediately preceding sentence of this Section 2.21, the Administrative Agent shall notify the Company of the addition of each such Issuing Bank to be effected on such Addition Date and shall record in the Register the relevant information with respect to each applicable Eligible Assignee on such date.

ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01. Conditions Precedent to Effectiveness of Section 2.01. Section 2.01 shall become effective on and as of the first date (the "***Effective Date***") on which the following conditions precedent have been satisfied:

(a) No event or development shall have occurred or failed to occur, and no action shall have been taken or failed to have been taken, by or on behalf of any Borrower or any of its Subsidiaries that, either individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect since December 31, 2006. No fact or circumstance shall be known by any Borrower that, either individually or in the aggregate, has had or could reasonably be expected to have (so far as such Borrower can reasonably foresee) a Material Adverse Effect since December 31, 2006.

(b) All governmental and other third party consents and approvals necessary in connection with this Agreement and the Notes and with the transactions contemplated hereby shall have been obtained (without the imposition of any conditions that are not reasonably acceptable to the Lenders) and shall remain in effect; and no law or regulation shall be applicable in the reasonable judgment of the Lenders that restrains, prevents or imposes materially adverse conditions on this Agreement or any Note or upon any of the transactions contemplated hereby.

(c) The Company shall have notified each Lender and the Administrative Agent in writing as to the proposed Effective Date.

(d) All accrued fees and, to the extent invoices have been delivered to the Company on or prior to such date, all accrued expenses of the Administrative Agent and the Lenders (including, without limitation, all accrued fees and expenses of counsel for the Administrative Agent and the Syndication Agent) shall have been paid.

(e) All of the amounts owing by any borrower under the Existing Credit Agreement shall have been, or concurrently with any initial Borrowing made on the Effective Date shall be, paid in full, and all commitments of the lenders thereunder shall have been, or concurrently with any initial Borrowing made on the Effective Date shall be, terminated in accordance with the terms of such Agreement and each of the Initial Lenders that is a party to the Existing Credit Agreement hereby waives, upon execution of this Agreement, the three business days' notice required by Section 2.04 of the Existing Credit Agreement relating to the termination of the commitments under the Existing Credit Agreement.

(f) On the Effective Date, the following statements shall be true and the Administrative Agent shall have received for the account of each Lender a certificate of the Company, on behalf of itself and each other Borrower, signed by a duly authorized officer of the Company, dated such date, stating that:

(i) The representations and warranties contained in Section 4.01 are correct on and as of the Effective Date, as though made on and as of such date;

(ii) No event has occurred and is continuing, or shall occur as a result of the occurrence of the Effective Date, that constitutes a Default; and

(iii) All of the amounts owing by any borrower under the Existing Credit Agreement shall have been, or concurrently with any initial Borrowing made on the Effective Date shall be, paid in full, and all commitments of the lenders thereunder shall have been, or concurrently with any initial Borrowing made on the Effective Date shall be, terminated in accordance with the terms of such Agreement.

(g) The Administrative Agent shall have received on or before the Effective Date each of the following, dated the Effective Date and in form and substance satisfactory to the Administrative Agent:

(i) The Notes of each of the Borrowers to the order of each of the Lenders that has requested a Note in accordance with Section 2.20.

(ii) A certificate of the Secretary or an Assistant Secretary (or person performing similar functions) of each of the Borrowers certifying (A) appropriate resolutions of the board of directors (or persons performing similar functions) of such Borrower authorizing Borrowings under this Agreement and its Notes, and all documents evidencing other necessary corporate (or equivalent) action and governmental approvals, if any, with respect to this Agreement and its Notes (copies of which shall be attached thereto), (B) copies of the by-laws (or the equivalent thereof) of such Borrower (copies of which shall be attached thereto) and (C) the names and true signatures of the officers of such Borrower authorized to sign this Agreement and its Notes and the other documents to be delivered by such Borrower hereunder.

(iii) A copy of the charter or articles (or other similar organizational documents) of each Borrower, certified (as of a date reasonably near the Effective Date) as being a true and complete copy thereof by the Secretary of State (or other appropriate Governmental Authority) of the jurisdiction of organization of such Borrower or, if such certificate is not provided in the jurisdiction of organization of any Borrower, certified (as of a date reasonably near the Effective Date) as being a true and complete copy thereof by a duly authorized officer of such Borrower.

(iv) A copy of a certificate of the Secretary of State (or other appropriate Governmental Authority) of the jurisdiction of organization of such Borrower, dated reasonably near the Effective Date, certifying that such Borrower is duly organized and in good standing (or the equivalent thereof) under the laws of the jurisdiction of its organization.

(v) A favorable opinion of Miles & Stockbridge P.C., counsel for the Borrowers, and a favorable opinion of Allen & Overy Luxembourg, Luxembourg counsel for BDLF and BDL, in substantially the form of Exhibits E-1 and E-2 hereto, respectively, and addressing such other matters as the Administrative Agent may reasonably request.

(vi) A favorable opinion of Shearman & Sterling LLP, counsel for the Administrative Agent and the Syndication Agent.

SECTION 3.02. Conditions Precedent to the Initial Borrowing of Each Designated Subsidiary. The obligation of each Lender to make an initial Advance to each Designated Subsidiary following its designation as a Borrower hereunder pursuant to Section 9.08 on the occasion of the initial Borrowing thereby is subject to the Administrative Agent's receipt on or before the date of such initial Borrowing of each of the following, in form and substance satisfactory to the Administrative Agent and dated such date:

(a) The Designation Letter of such Designated Subsidiary, in substantially the form of Exhibit F hereto.

(b) A Note of such Designated Subsidiary to the order of each of the Lenders that has requested a Note in accordance with Section 2.20.

(c) A certificate of the Secretary or an Assistant Secretary (or person performing similar functions) of such Designated Subsidiary certifying (A) appropriate resolutions of the board of directors (or persons performing similar functions) of such Designated Subsidiary approving this Agreement and its Notes, and all documents evidencing other necessary corporate (or equivalent) action and governmental approvals, if any, with respect to this Agreement and its Notes (copies of which shall be attached thereto), (B) copies of the by-laws (or the equivalent thereof) of such Designated Subsidiary (copies of which shall be attached thereto) and (C) the names and true signatures of the officers of such Designated Subsidiary authorized to sign the Designation Letter of such Designated Subsidiary and its Notes and the other documents to be delivered by such Designated Subsidiary hereunder.

(d) A copy of the charter or articles (or other similar organizational document) of such Designated Subsidiary, certified (as of a date reasonably near the date of such Borrowing) as being a true and complete copy thereof by the Secretary of State (or other appropriate Governmental Authority) of the jurisdiction of organization of such Designated Subsidiary or, if such certificate is not provided in the jurisdiction of organization of such Designated Subsidiary, certified (as of a date reasonably near the date of such Borrowing) as being a true and complete copy thereof by a duly authorized officer of such Designated Subsidiary.

(e) A copy of a certificate of the Secretary of State (or other appropriate Governmental Authority) of the jurisdiction of organization of such Designated Subsidiary, dated reasonably near the date of such Borrowing, certifying that such Designated Subsidiary is duly organized and in good standing (or the equivalent thereof) under the laws of the jurisdiction of its organization.

(f) A certificate signed by a duly authorized officer of such Designated Subsidiary, dated as of the date of such Borrowing, certifying that such Designated Subsidiary has obtained all authorizations, consents, approvals (including, without limitation, exchange control approvals) and licenses of any Governmental Authority or

other third party necessary for such Designated Subsidiary to execute and deliver its Designation Letter and its Notes and to perform its obligations under this Agreement or any of its Notes.

(g) Evidence of acceptance by the Company of its appointment as the process agent of such Designated Subsidiary in accordance with Section 9.12(a), in substantially the form of Exhibit G hereto.

(h) A favorable opinion of counsel for such Designated Subsidiary reasonably acceptable to the Administrative Agent, dated the date of such Borrowing, in substantially the form of Exhibit E-3 hereto (subject to the assumptions, qualifications and limitations customary for legal opinions in the jurisdiction for which such opinion is delivered), and addressing such other matters as any Lender through the Administrative Agent may reasonably request.

(i) Such other documents, opinions and other information as any Lender, through the Administrative Agent, may reasonably request.

SECTION 3.03. Conditions Precedent to Each Borrowing and Each Issuance. The obligation of each Lender to make an Advance on the occasion of each Borrowing, and the obligations of each Issuing Bank to issue, or increase the Available Amount of, a Letter of Credit, shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Borrowing or such issuance (a) the following statements shall be true (and each of the giving of the applicable Notice of Borrowing and the acceptance by the Borrower that requested such Borrowing of the proceeds of such Borrowing and the giving of a Notice of Issuance shall constitute a representation and warranty by such Borrower that on the date of such Borrowing or such issuance or increase such statements are true):

(i) The representations and warranties contained in Section 4.01 (and, if such Borrowing shall have been requested by a Designated Subsidiary, the representations and warranties of such Designated Subsidiary contained in its Designation Letter) are correct on and as of the date of such Borrowing or such issuance or increase, before and after giving effect to such Borrowing or such issuance and to the application of the proceeds therefrom, as though made on and as of such date; and

(ii) No event has occurred and is continuing, or would result from such Borrowing or such issuance or increase or from the application of the proceeds therefrom, that constitutes a Default;

and (b) the Administrative Agent shall have received such other documents, opinions and other information as any Lender, through the Administrative Agent, may reasonably request. Nothing in this Section 3.03 shall be construed to require any Borrower to satisfy the conditions set forth herein solely upon the Conversion of one or more Borrowings in accordance with the terms of this Agreement.

SECTION 3.04. Conditions Precedent to Each Extension Date and Each Commitment Increase. The obligation of each Consenting Lender and each Assuming Lender to extend the Termination Date pursuant to Section 2.17, and the obligation of each Increasing

Lender and each Assuming Lender to increase its Commitment pursuant to Section 2.19, is subject to the conditions precedent that (a) (i) in the case of an Extension Date, the Administrative Agent shall have accepted all of the Assumption Agreements of the Assuming Lenders and received all of the written confirmations of increases in the Commitments of the Consenting Lenders for such Extension Date and all of the Non-Consenting Lenders shall have received all of the amounts required to have been paid to them under Section 2.17(c) on or prior to such Extension Date and (ii) in the case of a Commitment Increase, the Administrative Agent shall have accepted all of the Assumption Agreements of the Assuming Lenders and received all of the written confirmations of the increases in the Commitments of the Increasing Lenders for such Commitment Increase, and (b) on such Extension Date or such Increase Date, as the case may be, the following statements shall be true (and a duly authorized officer of the Company shall certify the completeness and accuracy of such statements to the Administrative Agent and the Lenders on and as of such Extension Date or such Increase Date):

- (i) No event or development has occurred or failed to occur, and no action has been taken or failed to have been taken, by or on behalf of any Borrower or any of its Subsidiaries that, either individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect since December 31, 2006. No fact or circumstance is known by any Borrower that, either individually or in the aggregate, has had or could reasonably be expected to have (so far as such Borrower can reasonably foresee) a Material Adverse Effect since December 31, 2006;
- (ii) The representations and warranties contained in Section 4.01 are correct on and as of such Extension Date or Increase Date, before and after giving effect to such Extension Date or Increase Date; and
- (iii) No event has occurred and is continuing, or would result from the occurrence of such Extension Date or such Increase Date that constitutes a Default.

SECTION 3.05. Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Administrative Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Lender prior to the date that the Company, by notice to the Lenders, designates as the proposed Effective Date, specifying its objection thereto. The Administrative Agent shall promptly notify the Lenders of the occurrence of the Effective Date.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrowers. Each Borrower represents and warrants as follows:

- (a) Each Borrower and each of its Significant Subsidiaries (i) are Persons duly organized, validly existing and, to the extent such concept is applicable in the jurisdiction

of organization of such Borrower or such Subsidiary, in good standing under the laws of the jurisdictions of their respective organization, (ii) are duly qualified and, to the extent such concept is applicable in such jurisdiction, in good standing as foreign corporations (or the equivalent thereof) in each other jurisdiction in which they own or lease property or in which the conduct of their respective businesses requires them to so qualify or be licensed, except where the failure to so qualify or be licensed, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, and (iii) have all requisite power and authority to own or lease and operate their properties and to carry on their respective businesses as now conducted and as proposed to be conducted.

(b) The execution, delivery and performance by each Borrower of this Agreement and its Notes, and the consummation of the transactions contemplated hereby, are within such Borrower's powers, have been duly authorized by all necessary action (including, without limitation, all necessary stockholders' action), and do not contravene (i) such Borrower's charter or by-laws (or similar organizational documents), (ii) any law, statute, rule or regulation or any order, writ, judgment, injunction, decree, determination or award or (iii) any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting such Borrower, any of its Subsidiaries or any of their properties or assets.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or any other third party is required for the due execution, delivery and performance by any Borrower of this Agreement or any of its Notes, or for the consummation of any of the transactions contemplated hereby, except as have been obtained or made and are in full force and effect.

(d) This Agreement has been, and each of the Notes when delivered hereunder will have been, duly executed and delivered by each Borrower intended to be a party thereto. This Agreement is, and each of the Notes when delivered hereunder will be, the legal, valid and binding obligation of each Borrower intended to be a party thereto, enforceable against such Borrower in accordance with their respective terms, except to the extent that the enforceability thereof may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to or affecting creditors' rights generally or by general principles of equity.

(e) The most recently completed annual Financial Statements of the Company and its Subsidiaries, copies of which have been furnished to each Lender, fairly present the consolidated financial condition of the Company and its Subsidiaries as at the date of such Financial Statements and the consolidated results of operations of the Company and its Subsidiaries for the fiscal year of the Company ended on the date of such Financial Statements, all in accordance with generally accepted accounting principles in effect at the time such Financial Statements were prepared.

(f) All information, exhibits and reports (other than financial statements, analysts' reports, projections and assumptions) furnished by or on behalf of each Borrower to any Lender in connection with the negotiation of, or pursuant to the terms of,

this Agreement do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not misleading, in light of the circumstances under which any such statements were made.

(g) There is no action, suit, investigation, litigation or proceeding (including, without limitation, any Environmental Action) against or in any other way affecting any Borrower or any of its Subsidiaries or any of its respective properties or businesses pending or, to the best knowledge of such Borrower or any of its Subsidiaries, threatened before any court, Governmental Authority or arbitrator that (i) either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or (ii) purports to adversely affect the legality, validity or enforceability of this Agreement or any of the Notes or the consummation of the transactions contemplated hereby.

(h) None of the Borrowers is engaged in the business of extending credit for the purpose of purchasing or carrying "margin stock" (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no proceeds of any Advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying margin stock.

(i) Neither any Borrower nor any of its Subsidiaries is an "investment company", or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company" (each as defined in the Investment Company Act of 1940, as amended). Neither the making of any Advances nor the application of the proceeds or the repayment or repurchase thereof by any Borrower, nor the consummation of any of the other transactions contemplated hereby, will violate any provision of such Act or any rule, regulation or order of the Securities and Exchange Commission thereunder.

(j) The Advances and all related obligations of each Borrower under this Agreement and its Notes rank *pari passu* with all other unsecured obligations of such Borrower that are not, by their terms, expressly subordinate to such other obligations of such Borrower.

ARTICLE V

COVENANTS OF THE BORROWERS

SECTION 5.01. Affirmative Covenants. So long as any Advance or any Letter of Credit shall remain unpaid or any Lender shall have any Commitment hereunder, each Borrower will:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA and Environmental Laws, except where, and for so long as, the failure to so comply (i) has been excused or waived under applicable law or (ii) either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. Comply, and cause each of its Subsidiaries to comply, with the terms of all of its contracts, loan agreements, indentures, mortgages,

deeds of trust, leases and other agreements and instruments, the violation or breach of which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful claims that, if unpaid, might by law become a Lien upon its property and assets; *provided, however,* that neither any Borrower nor any of its Subsidiaries shall be required to pay or discharge (A) any taxes, assessments, reassessments, charges, levies or claims that, either individually or in the aggregate, do not exceed \$15,000,000 (or the equivalent thereof in one or more foreign currencies) at any time or (B) any such tax, assessment, reassessment, charge, levy or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained in accordance with generally accepted accounting principles in effect from time to time, unless and until, in any of the foregoing cases, any Lien resulting therefrom attaches to its property and enforcement, collection, levy or foreclosure proceedings shall have been commenced and remain unstayed in respect thereof.

(c) Maintenance of Insurance. Maintain, and cause each of its Subsidiaries to maintain, (i) insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses of similar size and owning similar properties in the same general areas in which such Borrower or such Subsidiary operates and (ii) additional insurance to the extent required under applicable law, rule, regulation or order unless, in either case, the failure to maintain such insurance, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(d) Preservation of Existence, Etc. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its existence, rights (charter and statutory), licenses and franchises (whether arising as a matter of contract or under applicable law or regulation); *provided, however,* that any Borrower or any of its Subsidiaries may consummate any transaction otherwise permitted under Section 5.02(b); and *provided further* that neither any Borrower nor any of its Subsidiaries shall be required to preserve (i) any Subsidiary of the Company that is not a Borrower or (ii) any right, license or franchise if management of such Borrower shall determine in good faith that the preservation thereof is no longer desirable in the conduct of the business or the continued operations of such Borrower or such Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to such Borrower, such Subsidiary or the Lenders.

(e) Visitation Rights. At any reasonable time and from time to time, during normal business hours and upon reasonable notice, permit the Administrative Agent or any of the Lenders or any agents or representatives thereof to examine and make copies of and abstracts from the records and books of account, and visit and inspect the properties, of any Borrower or any of its Subsidiaries, and to discuss the affairs, finances

and accounts of any Borrower or any of its Subsidiaries with any of their officers or directors and with their independent certified public accountants.

(f) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of such Borrower and each such Subsidiary in accordance with generally accepted accounting principles in effect from time to time.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its material properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

(h) Use of Proceeds. Use all of the proceeds of the Advances solely for general corporate purposes of such Borrower and its Subsidiaries not otherwise prohibited under the terms of this Agreement.

(i) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under this Agreement with any of their Affiliates on terms that are fair and reasonable and no less favorable to such Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate, except for transactions between or among the Company and its Subsidiaries or between or among Subsidiaries of the Company not otherwise prohibited under this Agreement that, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(j) Reporting Requirements. Furnish to the Lenders:

(i) as soon as available and in any event within 50 days after the end of each of the first three fiscal quarters of each fiscal year of the Company, commencing with the fiscal quarter of the Company ending March 30, 2008, the Financial Statements of the Company and its Subsidiaries as of the end of such fiscal quarter, duly certified by the chief financial officer or the treasurer of the Company as (A) having been prepared in accordance with generally accepted accounting principles in effect at the time such Financial Statements were prepared and (B) fairly presenting in all material respects, subject to year-end adjustments, the consolidated financial condition of the Company and its Subsidiaries as at the last day of such fiscal quarter and the consolidated results of operations of the Company and its Subsidiaries for such period;

(ii) as soon as available and in any event within 95 days after the end of each fiscal year of the Company, commencing with the fiscal year of the Company ending December 31, 2007, a copy of the annual report, prepared in the manner required under Form 10-K, for such fiscal year for the Company and its Subsidiaries containing the Financial Statements of the Company and its Subsidiaries as of the end of such fiscal year, in each case accompanied by an

opinion of Ernst & Young LLP or other independent certified public accountants of nationally recognized standing in the United States and reasonably acceptable to the Administrative

Agent that is unqualified as to going concern and scope of audit and is otherwise in scope and substance acceptable to the Required Lenders, together with a certificate of such accounting

firm addressed to the Administrative Agent and the Lenders stating that in the course of the regular audit of the business of the Company and its Subsidiaries, which audit was conducted by

such accounting firm in accordance with generally accepted auditing standards, nothing has come to the attention of such accountants that causes them to believe that the Company has

failed to comply with the covenants set forth in Section 5.03;

(iii) as soon as available after the end of each fiscal year of each Foreign Borrower, a balance sheet of such Foreign Borrower as of the end of such fiscal year and the related statement of income of such Foreign Borrower for such fiscal year and such other statements for such fiscal year as are required to be included in the statutory report of the jurisdiction in which such Foreign Borrower resides, in each case prepared in accordance with historical convention and with generally accepted accounting principles prevailing in such jurisdiction at the time such financial statements are delivered;

(iv) simultaneously with each delivery of the Financial Statements referred to in clauses (i) and (ii) of this Section 5.01(j), (A) a certificate of the chief financial officer or the treasurer of the Company (1) stating that no Default has occurred and is continuing or, if a Default has occurred and is continuing, a statement as to the nature thereof and the action that the Company has taken and/or proposes to take with respect thereto and (2) setting forth in reasonable detail the calculations necessary to demonstrate compliance with each of the covenants set forth in Section 5.03 and (B) in the event of any change in the generally accepted accounting principles used in the preparation of such Financial Statements from GAAP, a statement of reconciliation, if and to the extent necessary for the determination of compliance with each of the covenants set forth in Section 5.03, conforming such Financial Statements to generally accepted accounting principles consistent with GAAP;

(v) as soon as possible and in any event within five days after any Responsible Officer knows or has reason to know of the occurrence of each Default, a statement of such Responsible Officer setting forth the details of such Default or such event, development or circumstance, as the case may be, and the action that such Borrower has taken and/or proposes to take with respect thereto;

(vi) promptly after the sending or filing thereof, copies of all reports that the Company sends to its securityholders, and copies of all reports and registration statements (other than registration statements filed on Form S-8 or otherwise relating to securities being offered and sold under, or interests in, employee benefit plans), if any, that any Borrower or any Subsidiary files with the Securities and Exchange Commission or any national securities exchange;

(vii) promptly after the commencement thereof, notice of all actions, suits, investigations, litigations and proceedings before any court, Governmental Authority or arbitrator against or in any other way affecting any Borrower or any of its Subsidiaries or any of their respective properties or businesses of the type described in Section 4.01(g);

(viii) promptly and in any event within five Business Days after becoming aware thereof, notice of any change in the rating assigned by any nationally recognized rating agency to any securities issued by any Borrower or any of its Subsidiaries and the effective date of such change, together with a copy of such notice if available at such time; and

(ix) such other information respecting the businesses, assets, liabilities, financial condition, results of operations or business prospects of any Borrower or any of its Subsidiaries as any Lender, through the Administrative Agent, may from time to time reasonably request.

SECTION 5.02. Negative Covenants. So long as any Advance or any Letter of Credit shall remain unpaid or any Lender shall have any Commitment hereunder, each of the Borrowers will not:

(a) Liens, Etc. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien on or with respect to any of its properties and assets, whether now owned or hereafter acquired, or assign as security, or permit any of its Subsidiaries to assign as security, any right to receive income therefrom, other than:

(i) Permitted Liens;

(ii) Liens existing or contemplated on the date of this Agreement and described on Schedule 5.02(a) hereto;

(iii) purchase money Liens upon or in one or more tangible assets acquired or held by any Borrower or any of its Subsidiaries in the ordinary course of business to secure the purchase price of such tangible assets or to secure Indebtedness incurred solely for the purpose of financing the acquisition, construction or improvement of such tangible assets so long as such Liens are incurred within 90 days of the date of acquisition of such tangible assets, or Liens existing on any such tangible asset at the time of its acquisition (other than any such Liens created in contemplation of such acquisition that were not incurred to finance the acquisition of such tangible assets); *provided, however,* that no such Lien shall extend to or cover any property or assets of any character other than the tangible assets being acquired, constructed or improved; and *provided further* that any Indebtedness secured by such Liens shall otherwise be permitted under the terms of this Agreement;

(iv) Liens on property and assets of a Person existing at the time such Person is merged into or consolidated with any Borrower or any of its Subsidiaries or becomes a Subsidiary of any Borrower; *provided* that any such

Liens were not created in contemplation of such merger, consolidation or acquisition and do not extend to or cover (A) any property or assets other than the property and assets of the

Person being merged into or consolidated with such Borrower or such Subsidiary or being acquired by such Borrower or such Subsidiary, as the case may be, or (B) any obligations of any

Person other than those obligations that were secured by such property and assets at the time of such merger, consolidation or acquisition; and *provided further* that any Indebtedness

secured by such Liens shall otherwise be permitted under the terms of this Agreement;

(v) Liens on any property or assets of any Subsidiary of the Company securing Indebtedness owed to the Company or any of its other Subsidiaries;

(vi) Liens securing reimbursement obligations under commercial letters of credit incurred in the ordinary course of business; *provided* that any such Liens shall cover only the goods, or documents of title evidencing goods, that are purchased in the transaction for which such letter of credit was issued and the products and proceeds thereof;

(vii) Liens arising out of judgments or awards that do not constitute an Event of Default under Section 6.01(f) or 6.01(g) and in respect of which any Borrower or any of its Subsidiaries subject thereto shall be prosecuting an appeal or proceedings for review in good faith and, pending such appeal or proceedings, shall have secured a subsisting stay of execution within 30 days of such judgment or award and shall be maintaining appropriate reserves, in accordance with generally accepted accounting principles in effect from time to time, with respect to any such judgment or award;

(viii) Liens on cash, certificates of deposit or other similar bank obligations securing Indebtedness (which Indebtedness may be in a different currency from such cash, certificates of deposit or other bank obligations) in an amount substantially equal in value (determined at the time such Lien is created) to such cash, certificates of deposit or other bank obligations, as the case may be;

(ix) Liens not otherwise permitted under this Section 5.02(a) securing obligations in an aggregate amount not to exceed \$300,000,000 (or the equivalent thereof in one or more foreign currencies) for the Company and its Subsidiaries at any time; and

(x) the extension, renewal, replacement or refinancing of any Lien otherwise permitted under any of clauses (ii) through (iv) of this Section 5.02(a) upon or in the same property and assets theretofore subject thereto; *provided* that no such extension, renewal, replacement or refinancing shall extend to or cover any property not theretofore subject to the Lien being extended, renewed, replaced or refinanced; and *provided further* that (A) any obligation secured by such Liens shall otherwise be permitted under the terms of this Agreement and

(B) both immediately before and immediately after giving effect to such Lien, no Default shall have occurred and be continuing.

(b) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its property and assets (whether now owned or hereafter acquired) to, any Person, or permit any of its Subsidiaries to do so, except that:

(i) any Subsidiary of the Company that is not a Borrower may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets to, any other Person so long as, if such Person is a Borrower, such Person is the surviving entity; and

(ii) any Borrower may merge with any other Person (including, without limitation, any other Borrower or any of its Subsidiaries) so long as (A) if the Company is a party to such merger or consolidation, the Company is the surviving entity or (B) if any other Borrower is a party to such merger or consolidation, either (1) the surviving entity shall be such Borrower or (2) the surviving entity (w) shall be a Substantially Owned Subsidiary of the Company, (x) shall succeed, by an agreement or operation of law, to all of the businesses and operations of such Borrower and shall assume, in an assumption agreement in form and substance satisfactory to the Administrative Agent, all of the rights and obligations of such Borrower under this Agreement and the Notes, (y) shall deliver to the Administrative Agent all of the certificates, opinions and other documents described in clauses (b) through (h) of Section 3.02 with respect to such surviving entity, in each case in form and substance satisfactory to the Administrative Agent, and such other documents, opinions and other information as any Lender, through the Administrative Agent, may reasonably request and (z) shall cause the Company to deliver to the Administrative Agent written confirmation of its obligations under Section 7.01 with respect to such surviving entity;

provided, in each of the foregoing cases, that no Default shall have occurred and be continuing at the time of such merger, consolidation, conveyance, transfer, lease or disposition, or shall occur as a result thereof. Notwithstanding any of the foregoing provisions of this Section 5.02(b), neither any Borrower nor any of its Subsidiaries shall sell, convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions and whether through the disposition of shares of capital stock or other property or assets) all or substantially all of the power tool business engaged in by the Company and its Subsidiaries on the date of this Agreement.

(c) Change in Nature of Business. Engage in any business other than the businesses engaged in by the Company and its Subsidiaries on the date of this Agreement and other businesses and activities that are substantially similar, related or incidental thereto.

(d) Fiscal Year. Make or permit any change in the fiscal year of the Company.

(e) Substance Storage and Disposal. Permit any Hazardous Materials to be generated, used, treated, handled or stored at, or transported to or from, any property owned or operated by any Borrower or any of its Subsidiaries in any manner that could result in the incurrence by any Borrower or any of its Subsidiaries of remedial obligations or liabilities under any applicable Environmental Law, except (a) as set forth on Schedule 4.01 hereto and (b) for substances (i) to be used in the business of such Borrower or such Subsidiary pending and during such use and (ii) that are generated or used in the business of such Borrower or such Subsidiary pending their disposal.

SECTION 5.03. Financial Covenants. So long as any Advance or any Letter of Credit shall remain unpaid or any Lender shall have any Commitment hereunder, the Company will:

(a) Leverage Ratio. Maintain a Leverage Ratio as of the last day of each of its fiscal quarters of not greater than 3.5 to 1.

(b) Cash Flow Coverage Ratio. Maintain a Cash Flow Coverage Ratio as of the last day of each of its fiscal quarters of not less than 3.25 to 1.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("*Events of Default*") shall occur and be continuing:

(a) Any Borrower shall fail (i) to pay any principal of any Advance when the same becomes due and payable or (ii) to pay any interest on any Advance or to make any payment of fees or other amounts payable under this Agreement or any Note within three Business Days after the same becomes due and payable; or

(b) Any representation or warranty made by any Borrower herein or by any Borrower (or any of its officers) in connection with this Agreement (including, without limitation, in the Designation Letter of any Borrower) shall prove to have been incorrect or misleading in any material respect when made; or

(c) Any Borrower shall fail to perform or observe (i) any term, covenant or agreement contained in Section 5.01(a), (d), (h), (i) or (j)(v), or 5.02(a) or (b), or 5.03 to be performed or observed by such Borrower or (ii) any other term, covenant or agreement contained in this Agreement to be performed or observed by such Borrower if such failure shall remain unremedied for 30 days after the earlier of (A) the first date on which a Responsible Officer of any Borrower knows or has reason to know of such failure and (B) the date on which written notice thereof shall have been given to the Company or the applicable Borrower by the Administrative Agent or any Lender; or

(d) Any Borrower or any of its Subsidiaries shall fail to pay any principal of or any premium or interest on any Indebtedness that is outstanding in a principal amount of or, in the case of any Hedge Agreement, having an Agreement Value of, at least \$75,000,000 (or the equivalent thereof in one or more foreign currencies), either individually or in the aggregate (but excluding Indebtedness outstanding hereunder), of such Borrower or such Subsidiary, as the case may be, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Indebtedness shall be required to be made, in each case prior to the stated maturity thereof; or

(e) Any Borrower or any Significant Subsidiary shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Borrower or any Significant Subsidiary seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or any substantial part of its property and assets) shall occur; or any Borrower or any Significant Subsidiary shall take any action to authorize any of the actions set forth above in this Section 6.01(e); or

(f) One or more judgments or orders for the payment of money in excess of \$75,000,000 (or the equivalent thereof in one or more foreign currencies) shall be rendered against one or more of the Borrowers and their Subsidiaries and shall remain unsatisfied and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of any such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) Any material provision of this Agreement (including Article VII) or any Note after delivery thereof pursuant to Article III shall for any reason cease to be valid and binding on or enforceable against any Borrower intended to be a party thereto, or any Borrower or any of its Subsidiaries or other Affiliates shall so state in writing; or

(h) The Company or any of its ERISA Affiliates shall incur, or, in the reasonable opinion of the Required Lenders, shall be reasonably likely to incur liability in excess of \$75,000,000 in the aggregate as a result of one or more of the following: (i) the occurrence of any ERISA Event; (ii) the partial or complete withdrawal of the Company or any of its ERISA Affiliates from a Multiemployer Plan; or (iii) the reorganization or termination of a Multiemployer Plan;

- (i) Any Borrower (other than the Company) shall cease to be a Substantially Owned Subsidiary; or
- (j) A Change of Control shall occur;

then, and in any such event, the Administrative Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrowers, declare the obligation of each Lender to make Advances (other than Advances to be made by an Issuing Bank or a Lender pursuant to Section 2.03(c)) and the obligation of any Issuing Bank to issue Letters of Credit to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrowers, declare the Advances and the Notes, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by each of the Borrowers; *provided, however,* that in the event of an actual or deemed entry of an order for relief with respect to any Borrower under the U.S. Federal Bankruptcy Code or any similar bankruptcy or insolvency law of any other jurisdiction, (A) the obligation of each Lender to make Advances (other than Advances to be made by an Issuing Bank or a Lender pursuant to Section 2.03(c)) and the obligation of any Issuing Bank to issue Letters of Credit shall automatically be terminated and (B) the Advances and the Notes, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by each of the Borrowers.

SECTION 6.02. Actions in Respect of the Letters of Credit upon Default. If any Event of Default shall have occurred and be continuing, the Administrative Agent may with the consent, or shall at the request, of the Required Lenders, irrespective of whether it is taking any of the actions described in Section 6.01 or otherwise, make demand upon the Borrowers to, and forthwith upon such demand the Borrowers will, (a) pay to the Administrative Agent on behalf of the Lenders in same day funds at the Administrative Agent's office designated in such demand, for deposit in the L/C Cash Collateral Account, an amount equal to the aggregate Available Amount of all Letters of Credit then outstanding or (b) make such other arrangements in respect of the outstanding Letters of Credit as shall be acceptable to the Required Lenders; *provided* that in the event of an actual or deemed entry of an order for relief with respect to any Borrower under the U.S. Federal Bankruptcy Code or any similar bankruptcy or insolvency law of any other jurisdiction, the Borrowers shall pay such amount forthwith without any notice or demand or any other action by the Administrative Agent or any Lender, each of which is hereby waived. If at any time the Administrative Agent determines that any funds held in the L/C Cash Collateral Account are subject to any right or claim of any Person other than the Administrative Agent and the Lenders or that the total amount of such funds is less than the aggregate Available

Amount of all Letters of Credit, the Borrowers will, forthwith upon demand by the Administrative Agent, pay to the Administrative Agent, as additional funds to be deposited and held in the L/C Cash Collateral Account, an amount equal to the excess of (a) such aggregate Available Amount over (b) the total amount of funds, if any, then held in the L/C Cash Collateral Account that the Administrative Agent determines to be free and clear of any such right and claim. Upon the drawing of any Letter of Credit, to the extent funds are on deposit in the L/C Cash Collateral Account, such funds shall be applied to reimburse the Issuing Banks and the Lenders to the extent permitted by applicable law. After (i) no Event of Default shall be continuing or (ii) all such Letters of Credit shall have expired or been fully drawn upon and all other obligations of the Borrowers hereunder and under the Notes shall have been paid in full, the balance, if any, in such L/C Cash Collateral Account shall be returned to the Borrowers.

ARTICLE VII

GUARANTEE

SECTION 7.01. Unconditional Guarantee. For valuable consideration, receipt whereof is hereby acknowledged, and to induce each Lender to make Advances and the Issuing Banks to issue Letters of Credit from time to time to the Borrowers and to induce the Administrative Agent to act in such capacity hereunder, the Company hereby unconditionally and irrevocably guarantees the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all obligations of each of the other Borrowers now or hereafter existing under this Agreement and the Notes of such other Borrowers, whether for principal, interest, fees, expenses or otherwise (such obligations being the "**Guaranteed Obligations**"), and agrees to pay any and all expenses (including, without limitation, reasonable fees and expenses of counsel) incurred by the Administrative Agent or any Lender in enforcing its rights under this Article VII. Without limiting the generality of the foregoing, the Company's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by any other Borrower to the Administrative Agent or any Lender under this Agreement or any Note of such other Borrower but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving such other Borrower.

SECTION 7.02. Guarantee Absolute. The Company guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of this Agreement and the applicable Notes, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Administrative Agent or any Lender with respect thereto. The obligations of the Company under this Article VII are independent of the Guaranteed Obligations, and a separate action or actions may be brought and prosecuted against the Company to enforce this Article VII, irrespective of whether any action is brought against any other Borrower or whether any other Borrower is joined in any such action or actions. The liability of the Company under this Article VII shall be irrevocable, absolute and unconditional irrespective of, and the Company hereby irrevocably waives any defenses it may now or hereafter have in any way relating to, any or all of the following:

- (a) any lack of validity or enforceability of this Agreement or any Note, or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other obligations of any other Borrower under this Agreement or any Note, or any other amendment or waiver of or any consent to departure from this Agreement or any Note (including, without limitation, any increase in the Guaranteed Obligations resulting from extensions of additional credit to any other Borrower or otherwise);

(c) any taking, exchange, release or nonperfection of any collateral or any taking, release or amendment or waiver of or consent to departure from any other guarantee, for all or any of the Guaranteed Obligations;

(d) any change, restructuring or termination of the structure or existence of any other Borrower or any of its Subsidiaries;

(e) any failure of the Administrative Agent or any Lender to disclose to the Company any information relating to the financial condition, operations, properties or prospects of any other Borrower now or hereafter known by the Administrative Agent or such Lender, as the case may be; or

(f) any other circumstance (including, without limitation, any statute of limitations to the fullest extent permitted by applicable law or any existence of or reliance on any representation by the Administrative Agent or any Lender) that might otherwise constitute a defense available to, or a discharge of, the Company, any other Borrower or any other guarantor or surety.

The guarantee of the Company set forth in this Article VII shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by the Administrative Agent or any of the Lenders upon the insolvency, bankruptcy or reorganization of any other Borrower or otherwise, all as though such payment had not been made.

SECTION 7.03. Waivers. (a) The Company hereby unconditionally and irrevocably waives promptness, diligence, presentment, demand for payment, protest, notice of acceptance and any other notice with respect to any of the Guaranteed Obligations and the guarantee of the Company set forth in this Article VII, and any requirement that any right or power be exhausted or any action be taken against any other Borrower or against any other guarantor of all or any portion of the Advances.

(b) The Company hereby unconditionally and irrevocably waives any right to revoke its guarantee set forth in this Article VII, and acknowledges that such guarantee is continuing in nature and applies to all of the Guaranteed Obligations, whether existing now or in the future.

(c) The Company hereby unconditionally and irrevocably waives any duty on the part of the Administrative Agent or any Lender to disclose to the Company any matter, fact or thing relating to the business, properties, operation or condition of any other Borrower or any

of its Subsidiaries now or hereafter known by the Administrative Agent or such Lender, as the case may be.

(d) The Company acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated under this Agreement and the Notes and that the waivers set forth in this Section 7.03 are knowingly made in contemplation of such benefits.

SECTION 7.04. Subrogation. The Company hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or may hereafter acquire against any other Borrower or any other insider guarantor that arise from the existence, payment, performance or enforcement of the obligations of the Company under this Article VII or otherwise under this Agreement and its Notes, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Administrative Agent or any Lender against another Borrower or any other insider guarantor or any collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from another Borrower or any other insider guarantor, directly or indirectly, in cash or other property or by setoff or in any other manner, payment or security on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations and all other amounts payable under this Article VII shall have been paid in full in cash and all of the Commitments and Letters of Credit issued for the account of any such Borrower shall have expired or terminated. If any amount shall be paid to the Company in violation of the immediately preceding sentence at any time prior to the latest of (a) the payment in full in cash of all of the Guaranteed Obligations and all of the other amounts payable under this Article VII, (b) the expiration or termination of each Letter of Credit issued for the account of any such Borrower and (c) the Termination Date, such amount shall be held in trust for the benefit of the Administrative Agent and the Lenders and shall forthwith be paid to the Administrative Agent to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Article VII, whether matured or unmatured, in accordance with the terms of this Agreement, or to be held as collateral for any Guaranteed Obligations or any other amounts payable under this Article VII thereafter arising. If (i) the Company shall make payment to the Administrative Agent or any Lender of all or any part of the Guaranteed Obligations, (ii) all of the Guaranteed Obligations and all of the other amounts payable under this Article VII shall be paid in full in cash, (iii) each Letter of Credit issued for the account of such other Borrower shall have expired or been terminated and (iv) the Termination Date shall have occurred, the Administrative Agent and the Lenders will, at the Company's request and expense, execute and deliver to the Company appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Company of an interest in the Guaranteed Obligations resulting from such payment by the Company.

SECTION 7.05. Continuing Guarantee; Assignments. The guarantee of the Company set forth in Section 7.01 is a continuing guarantee and shall (a) remain in full force and effect until the latest of (i) the indefeasible payment in full in cash of all of the Guaranteed Obligations and all other amounts payable under this Article VII, (ii) the expiration or termination of each Letter of Credit issued for the account of any such Borrower and (iii) the Termination Date, (b) be binding upon the Company, its successors and assigns, (c) inure to the

benefit of and be enforceable by each Lender and the Administrative Agent and their respective successors, transferees and assigns and (d) be reinstated if at any time any payment to a Lender or the Administrative Agent hereunder is required to be returned by such Lender or the Administrative Agent, as the case may be. Without limiting the generality of clause (c) of the immediately preceding sentence, each Lender may assign or otherwise transfer all or a portion of its rights and obligations under this Agreement (including, without limitation, the Advances owing to it and any other Notes held by it) to any other Person, and such other Person shall thereupon become vested with all of the benefits in respect thereof granted to such Lender under this Article VII or otherwise, in each case as provided in Section 9.07.

ARTICLE VIII

THE ADMINISTRATIVE AGENT

SECTION 8.01. Authorization and Authority. Each Lender hereby irrevocably appoints Citibank to act on its behalf as the Administrative Agent hereunder and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders, and, except with respect to the provisions of Section 8.06 requiring consent of or consultation with the Company, neither the Company nor any other Borrower shall have rights as a third party beneficiary of any of such provisions.

SECTION 8.02. Administrative Agent Individually. (a) The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Company or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

(b) Each Lender understands that the Person serving as Administrative Agent, acting in its individual capacity, and its Affiliates (collectively, the “**Administrative Agent’s Group**”) are engaged in a wide range of financial services and businesses (including investment management, financing, securities trading, corporate and investment banking and research) (such services and businesses are collectively referred to in this Section 8.02 as “**Activities**”) and may engage in the Activities with or on behalf of one or more of the Borrowers or their respective Affiliates. Furthermore, the Administrative Agent’s Group may, in undertaking the Activities, engage in trading in financial products or undertake other investment businesses for its own account or on behalf of others (including the Borrowers and their Affiliates and including holding, for its own account or on behalf of others, equity, debt and similar positions in the Company or another Borrower or their respective Affiliates), including trading in or holding long, short or derivative positions in securities, loans or other financial products of one or more of the Borrowers or their Affiliates. Each Lender understands and agrees that in engaging in the

Activities, the Administrative Agent's Group may receive or otherwise obtain information concerning the Borrowers or their Affiliates (including information concerning the ability of the Borrowers to perform their respective obligations hereunder) which information may not be available to any of the Lenders that are not members of the Administrative Agent's Group. Neither the Administrative Agent nor any member of the Administrative Agent's Group shall have any duty to disclose to any Lender or use on behalf of the Lenders, and shall not be liable for the failure to so disclose or use, any information whatsoever about or derived from the Activities or otherwise (including any information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any Borrower or any Affiliate thereof) or to account for any revenue or profits obtained in connection with the Activities, except that the Administrative Agent shall deliver or otherwise make available to each Lender such documents as are expressly required by this Agreement to be transmitted by the Administrative Agent to the Lenders.

(c) Each Lender further understands that there may be situations where members of the Administrative Agent's Group or their respective customers (including the Borrowers and their Affiliates) either now have or may in the future have interests or take actions that may conflict with the interests of any one or more of the Lenders (including the interests of the Lenders hereunder). Each Lender agrees that no member of the Administrative Agent's Group is or shall be required to restrict its activities as a result of the Person serving as Administrative Agent being a member of the Administrative Agent's Group, and that each member of the Administrative Agent's Group may undertake any Activities without further consultation with or notification to any Lender. None of (i) this Agreement, (ii) the receipt by the Administrative Agent's Group of information (including Information) concerning the Borrowers or their Affiliates (including information concerning the ability of the Borrowers to perform their respective obligations hereunder) or (iii) any other matter shall give rise to any fiduciary, equitable or contractual duties (including without limitation any duty of trust or confidence) owing by the Administrative Agent or any member of the Administrative Agent's Group to any Lender including any such duty that would prevent or restrict the Administrative Agent's Group from acting on behalf of customers (including the Borrowers or their Affiliates) or for its own account.

SECTION 8.03. Duties of Administrative Agent; Exculpatory Provisions. (a) The Administrative Agent's duties hereunder are solely ministerial and administrative in nature and the Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, but shall be required to act or refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the written direction of the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein), *provided* that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent or any of its Affiliates to liability or that is contrary to this Agreement or applicable law.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe

in good faith shall be necessary, under the circumstances as provided in Sections 9.01 or 6.01) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default or the event or events that give or may give rise to any Default unless and until a Borrower or any Lender shall have given notice to the Administrative Agent describing such Default and such event or events.

(c) Neither the Administrative Agent nor any member of the Administrative Agent's Group shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty, representation or other information made or supplied in or in connection with this Agreement or the information provided to the Lenders prior to the date hereof, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith or the adequacy, accuracy and/or completeness of the information contained therein, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document or the perfection or priority of any Lien or security interest created or purported to be created hereby or (v) the satisfaction of any condition set forth in Article III or elsewhere herein, other than (but subject to the foregoing clause (ii)) to confirm receipt of items expressly required to be delivered to the Administrative Agent.

(d) Nothing in this Agreement shall require the Administrative Agent or any of its Related Parties to carry out any "know your customer" or other checks in relation to any person on behalf of any Lender and each Lender confirms to the Administrative Agent that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Administrative Agent or any of its Related Parties.

SECTION 8.04. Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of an Advance, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless an officer of the Administrative Agent responsible for the transactions contemplated hereby shall have received notice to the contrary from such Lender prior to the making of such Advance or the issuance of such Letter of Credit, and in the case of a Borrowing, such Lender shall not have made available to the Administrative Agent such Lender's ratable portion of such Borrowing. The Administrative Agent may consult with legal counsel (who may be counsel for the Company or any other Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 8.05. Indemnification. (a) The Lenders agree to indemnify the Administrative Agent (to the extent required to be paid and not reimbursed by the Borrowers), according to their respective Pro Rata Shares of principal amounts of the Advances made by each of them (or if no Advances are outstanding at such date or if any Advances are held by Persons that are not Lenders at such date, according to their respective Pro Rata Shares of the aggregate Commitments at such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or any Note or any action taken or omitted by the Administrative Agent under this Agreement or any Note; *provided* that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for its Pro Rata Share of any out-of-pocket costs and expenses (including reasonable counsel fees and expenses) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or any Note to the extent that the Administrative Agent is not reimbursed for such expenses by the Borrowers.

SECTION 8.06. Resignation of Administrative Agent. The Administrative Agent may at any time give notice of its resignation to the Lenders and the Company. Upon receipt of any such notice of resignation, the Required Lenders shall have the right to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States, *provided* that, so long as no Default shall have occurred and be continuing, the Company shall have the right to propose a successor Administrative Agent to the Lenders and shall have the right to consent to any such successor Administrative Agent, such consent not to be unreasonably withheld and to be deemed to have been given if the Company does not object to the proposed successor Administrative Agent within five Business Days after notice thereof. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation (such 30-day period, the "Lender Appointment Period"), then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above. In addition and without any obligation on the part of the retiring Administrative Agent to appoint, on behalf of the Lenders and in consultation with the Company, a successor Administrative Agent, the retiring Administrative Agent may at any time upon or after the end of the Lender Appointment Period notify the Company and the Lenders that no qualifying Person has accepted appointment as successor Administrative Agent and the effective date of such retiring Administrative Agent's resignation which effective date shall be no earlier than three business days after the date of such notice. Upon the resignation effective date established in such notice and regardless of whether a successor Administrative Agent has been appointed and accepted such appointment, the retiring Administrative Agent's resignation shall nonetheless become effective and (i) the retiring Administrative Agent shall be discharged from its duties and obligations as Administrative Agent hereunder and (ii) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly,

until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this paragraph. Upon the acceptance of a successor's appointment as Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties as Administrative Agent of the retiring (or retired) Administrative Agent, and the retiring (or retired) Administrative Agent shall be discharged from all of its duties and obligations as Administrative Agent hereunder (if not already discharged therefrom as provided above in this paragraph). The fees payable by the Borrowers to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Company and such successor. After the retiring Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

SECTION 8.07. Non-Reliance on Administrative Agent and Other Lenders. (a) Each Lender confirms to the Administrative Agent, each other Lender and each of their respective Related Parties that it (i) possesses (individually or through its Related Parties) such knowledge and experience in financial and business matters that it is capable, without reliance on the Administrative Agent, any other Lender or any of their respective Related Parties, of evaluating the merits and risks (including tax, legal, regulatory, credit, accounting and other financial matters) of (x) entering into this Agreement, (y) making Advances and other extensions of credit hereunder and (z) in taking or not taking actions hereunder, (ii) is financially able to bear such risks and (iii) has determined that entering into this Agreement and making Advances and other extensions of credit hereunder is suitable and appropriate for it.

(b) Each Lender acknowledges that (i) it is solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with this Agreement, (ii) that it has, independently and without reliance upon the Administrative Agent, any other Lender or any of their respective Related Parties, made its own appraisal and investigation of all risks associated with, and its own credit analysis and decision to enter into, this Agreement based on such documents and information as it has deemed appropriate and (iii) it will, independently and without reliance upon the Administrative Agent, any other Lender or any of their respective Related Parties, continue to be solely responsible for making its own appraisal and investigation of all risks arising under or in connection with, and its own credit analysis and decision to take or not take action under, this Agreement based on such documents and information as it shall from time to time deem appropriate, which may include, in each case:

- (i) the financial condition, status and capitalization of the Company and each other Borrower;
- (ii) the legality, validity, effectiveness, adequacy or enforceability of this Agreement and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection herewith;
- (iii) determining compliance or non-compliance with any condition hereunder to the making of an Advance, or the issuance of a Letter of Credit and the form and

substance of all evidence delivered in connection with establishing the satisfaction of each such condition;

(iv) the adequacy, accuracy and completeness of the information provided to the Lenders prior to the date hereof and any other information delivered by the Administrative Agent, any other Lender or any of their respective Related Parties under or in connection with this Agreement, the transactions contemplated hereby or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection herewith.

SECTION 8.08. No Other Duties, etc. Anything herein to the contrary notwithstanding, none of the Persons acting as Bookrunners, Arrangers, Syndication Agent or Documentation Agents listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement, except in its capacity, as applicable, as the Administrative Agent or as a Lender hereunder.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Notes, nor consent to any departure by any Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided, however,* that no amendment, waiver or consent shall, unless in writing and signed by all of the Lenders, do any of the following:

- (a) waive any of the conditions specified in Section 3.01 or 3.02 or, with respect to all Consenting Lenders and all Assuming Lenders, Section 3.04;
- (b) increase the aggregate Revolving Credit Commitments of the Lenders or subject the Lenders to any additional obligations;
- (c) reduce the principal of, or interest on, the Advances, or any fees (other than any fees referred to in Section 2.04(b)(ii) or (c)) or other amounts payable hereunder;
- (d) postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees (other than any fees referred to in Section 2.04(b)(ii) or (c)) or other amounts payable hereunder, except pursuant to Section 2.17 as in effect on the date of this Agreement;
- (e) change the percentage of the Revolving Credit Commitments or of the aggregate unpaid principal amount of the Advances, or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder;
- (f) release or limit the obligations of the Company under any provision of Article VII; or

(g) amend this Section 9.01;

and *provided further, however*, that (x) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement or any Note, (y) no amendment, waiver or consent of Section 9.07(f) shall, unless in writing and signed by each Lender that has granted a funding option to an SPC in addition to the Lenders required above to take such action, affect the rights or duties of such Lender or SPC under this Agreement or any Note and (z) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Banks in addition to the Lenders required above to take such action, adversely affect the rights or obligations of the Issuing Banks in their capacities as such under this Agreement.

SECTION 9.02. Notices, Etc. (a) All notices and other communications provided for hereunder, unless otherwise expressly stated herein, shall be in writing (including telecopier communication) and mailed, telecopied or delivered, if to any Initial Borrower, at its address set forth below its name on the signature pages hereof; if to any Designated Subsidiary that becomes a Borrower hereunder, at its address set forth below its name on the signature page to its Designation Letter; if to any Initial Lender, at its Base Rate Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Base Rate Lending Office specified in the Assignment and Acceptance or the Assumption Agreement, as the case may be, pursuant to which it became a Lender; if to the Administrative Agent, at its address at Two Penns Way, New Castle, Delaware 19720, Attention: Bank Loan Syndications Department; or, as to any Borrower or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Company and the Administrative Agent. All such notices and communications shall, when mailed or telecopied, be effective when deposited in the mails or telecopied, respectively, except that notices and communications to the Administrative Agent pursuant to Article II, III or VIII shall not be effective until received by the Administrative Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or any of the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

(b) If any notice required under this Agreement is permitted to be made, and is made, by telephone, actions taken or omitted to be taken in reliance thereon by the Administrative Agent or any Lender shall be binding upon the Borrower delivering such notice notwithstanding any inconsistency between the notice provided by telephone and any subsequent writing in confirmation thereof provided to the Administrative Agent or such Lender; *provided* that any such action taken or omitted to be taken by the Administrative Agent or such Lender shall have been in good faith and in accordance with the terms of this Agreement.

(c) Notwithstanding anything to the contrary contained in this Agreement or any Note, (i) any notice to the Borrowers or to any one of them required under this Agreement or any such Note that is delivered to the Company shall constitute effective notice to the Borrowers or to any such Borrower, including the Company and (ii) any Notice of Borrowing or any notice of Conversion delivered pursuant to Section 2.09 may be delivered by any Borrower or by the Company, on behalf of any other Borrower. Each Initial Borrower (other than the Company)

and each Designated Subsidiary hereby irrevocably appoints the Company as its authorized agent to receive and deliver notices in accordance with this Section 9.02, and hereby irrevocably agrees that (A) in the case of clause (i) of the immediately preceding sentence, the failure of the Company to give any notice referred to therein to any such Initial Borrower or any such Designated Subsidiary, as the case may be, to which such notice applies shall not impair or affect the validity of such notice with respect thereto and (B) in the case of clause (ii) of the immediately preceding sentence, the delivery of any such notice by the Company, on behalf of any other Borrower, shall be binding on such other Borrower to the same extent as if such notice had been executed and delivered directly by such Borrower.

(d) So long as Citibank or any of its Affiliates is the Administrative Agent, materials required to be delivered pursuant to Section 5.01(j)(i), (ii) and (vi) shall be delivered to the Administrative Agent in an electronic medium in a format acceptable to the Administrative Agent and the Lenders by e-mail at oploanswebadmin@citigroup.com. The Company agrees that the Administrative Agent may make such materials and such other materials and notices as the Company and the Administrative Agent may agree (collectively, the "**Communications**") available to the Lenders by posting such notices on Intralinks or a substantially similar electronic system (the "**Platform**"). The Company acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided "as is" and "as available" and (iii) neither the Administrative Agent nor any of its Affiliates warrants the accuracy, adequacy or completeness of the Communications or the Platform and each expressly disclaims liability for errors or omissions in the Communications or the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Administrative Agent or any of its Affiliates in connection with the Platform.

(c) Each Lender agrees that notice to it (as provided in the next sentence) (a "**Notice**") specifying that any Communications have been posted to the Platform shall constitute effective delivery of such information, documents or other materials to such Lender for purposes of this Agreement; *provided* that if requested by any Lender the Administrative Agent shall deliver a copy of the Communications to such Lender by email or telecopier. Each Lender agrees (i) to notify the Administrative Agent in writing of such Lender's e-mail address to which a Notice may be sent by electronic transmission (including by electronic communication) on or before the date such Lender becomes a party to this Agreement (and from time to time thereafter to ensure that the Administrative Agent has on record an effective e-mail address for such Lender) and (ii) that any Notice may be sent to such e-mail address.

SECTION 9.03. No Waiver; Remedies. No failure on the part of any Lender or the Administrative Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof or consent thereto; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by applicable law.

SECTION 9.04. Costs and Expenses. (a) Each of the Borrowers jointly and severally agrees to pay, or to reimburse the Administrative Agent from time to time upon demand for, all reasonable costs and expenses of the Administrative Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, (A) all syndication (including printing and distribution) costs and expenses and, with the approval of the Company, consultant costs and expenses and (B) the reasonable fees and expenses of counsel for the Administrative Agent with respect thereto and with respect to advising the Administrative Agent as to its rights and responsibilities under this Agreement, the Notes and the other documents to be delivered hereunder. Each of the Borrowers jointly and severally further agrees to pay, or to reimburse the Administrative Agent and the Lenders from time to time upon demand for, all reasonable costs and expenses of the Administrative Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses, but without duplication for any costs and expenses for which the Borrowers are otherwise obligated to indemnify the Administrative Agent and the Lenders under Section 9.04(b)), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Administrative Agent and each Lender.

(b) Each of the Borrowers jointly and severally agrees to indemnify and hold harmless the Administrative Agent and each Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "**Indemnified Party**") from and against, and to reimburse each Indemnified Party from time to time upon demand for, any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with (i) the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances or (ii) the actual or alleged presence of Hazardous Materials on any property of any Borrower or any of its Subsidiaries or any Environmental Action relating in any way to any Borrower or any of its Subsidiaries, in each case whether or not such investigation, litigation or proceeding is brought by any Borrower, its directors, shareholders or creditors or any Indemnified Party or any other Person or an Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except (A) to the extent such claim, damage, loss, liability or expense is found by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct or (B) those resulting solely from claims of a Lender solely against one or more other Lenders (and not from claims of one or more Lenders against the Administrative Agent) not attributable to the actions of any Borrower or any of its Subsidiaries or other Affiliates and for which none of the Borrowers, any of their Subsidiaries or any of their other Affiliates otherwise has liability. Each Borrower also agrees not to assert any claim against the Administrative Agent, any Lender or any of their Affiliates, or any of their respective officers, directors, employees, attorneys, agents and advisors, on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to this Agreement, any Note, any of the transactions contemplated hereby or the actual or proposed use of the proceeds of the Advances or the Letters of Credit. No Indemnified Party

shall settle or otherwise pay or agree to pay any claim for which the Borrowers are obligated to provide indemnification under this Section 9.04(b) without the prior written consent of the Company, which consent shall not be unreasonably withheld.

(c) If any payment of principal of, or Conversion of, any Eurodollar Rate Advance is made by any Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Eurodollar Rate Advance as a result of a payment or Conversion pursuant to Section 2.09, 2.10 or 2.12, acceleration of the maturity of the Notes pursuant to Section 6.01 or by an Eligible Assignee to any Lender other than on the last day of the Interest Period upon an assignment of the rights and obligations of such Lender under this Agreement pursuant to Section 9.07 as a result of a demand by the Company pursuant to Section 9.07(a), or for any other reason, the Borrowers jointly and severally agree to pay, upon demand by such Lender (with a copy of such demand to the Administrative Agent), to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain such Eurodollar Rate Advance.

(d) Without prejudice to the survival of any other agreement of the Borrowers hereunder, the agreements and obligations of the Borrowers contained in Sections 2.11, 2.14 and 9.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes.

SECTION 9.05. Right of Setoff. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Administrative Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and any and all other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of any Borrower against any and all of the obligations of such Borrower now or hereafter existing under this Agreement and the Note or Notes held by such Lender, whether or not such Lender shall have made any demand under this Agreement or any such Note and although such obligations may be unmatured. Each Lender agrees promptly to notify each Borrower after any such setoff and application; *provided* that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender and its Affiliates under this Section 9.05 are in addition to any other rights and remedies (including, without limitation, other rights of setoff) that such Lender and its Affiliates may have.

SECTION 9.06. Binding Effect. This Agreement shall become effective (other than Section 2.01, which shall only become effective upon satisfaction of the conditions precedent set forth in Section 3.01) when it shall have been executed by each Initial Borrower and the Administrative Agent and when the Administrative Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and, thereafter, shall be binding upon and inure to the benefit of each Borrower, the Administrative Agent and each Lender and their

respective successors and assigns, except that no Borrower shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 9.07. Assignments and Participations. (a) Each Lender may, and, if demanded by the Company (following (i) a demand by such Lender for the payment of, or the incurrence by a Borrower of any obligation to pay, additional compensation pursuant to Section 2.07(c), 2.11 or 2.14 or (ii) an assertion by such Lender pursuant to Section 2.12 that it is impracticable or unlawful for such Lender to make Eurodollar Rate Advances), upon at least 30 Business Days' notice to such Lender and the Administrative Agent, each Lender will, assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Revolving Credit Commitment, its unused Letter of Credit Commitment, the Advances owing to it, its participations in Letters of Credit and any Note or Notes held by it); *provided, however,* that:

(A) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement;

(B) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, (x) the amount of the Revolving Credit Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall be \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and (y) the undrawn Letter of Credit Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the applicable Assignment and Acceptance with respect to such assignment) shall in no event be less than \$1,000,000, unless, in each case, the Company and the Administrative Agent otherwise agree;

(C) each such assignment shall be to an Eligible Assignee;

(D) each such assignment made as a result of a demand by the Company pursuant to this Section 9.07(a) shall be arranged by the Company with the approval of the Administrative Agent, which approval shall not be unreasonably withheld or delayed, and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that, in the aggregate, cover all of the rights and obligations of the assigning Lender under this Agreement;

(E) no Lender shall be obligated to make any assignment as a result of a demand by the Company pursuant to this Section 9.07(a) unless and until such Lender shall have received one or more payments from (1) one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of all Advances owing to such Lender, together with accrued interest on such Advances to the date of payment of such principal amount, and (2) the Company and/or one or more Eligible Assignees in an aggregate amount equal to all other amounts payable to such

Lender under this Agreement and the Notes (including, without limitation, any amounts owing under Sections 2.07(c), 2.11 and 2.14); and

(F) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note subject to such assignment, and each Eligible Assignee party to such assignment shall pay a processing and recordation fee of \$3,500;

provided further; however; that no Person to which an assignment is being made in accordance with this Section 9.07(a) shall be entitled to any additional compensation under Sections 2.11, 2.12 and 2.14 in excess of the aggregate amounts payable under such Sections to the Lender making such assignment prior to the effective date of such Assignment and Acceptance, unless such additional compensation is payable to such Person as a result of the adoption or enactment of, or changes in or in the applicability, the interpretation or the implementation of, any law, rule, regulation, directive, guideline or request after such effective date. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (1) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (2) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) *provided* that such assigning Lender's rights under Sections 2.11, 2.14 and 9.04, and its obligations under Section 8.05, shall survive the effective date of such Assignment and Acceptance for such Lender as to matters occurring prior to such effective date.

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows:

(i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any Note, or any other instrument or document furnished pursuant hereto;

(ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under this Agreement or any Note, or any other instrument or document furnished pursuant hereto;

(iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01(e) and such

other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance;

(iv) such assignee will, independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement;

(v) such assignee confirms that it is an Eligible Assignee;

(vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and

(vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Note or Notes subject to such assignment, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Company. Within ten Business Days after receipt of such notice by the Company, each Borrower shall, at its own expense, execute and deliver to the Administrative Agent in exchange for the surrendered Note a new Note from such Borrower to the order of such Eligible Assignee in an amount equal to the Revolving Credit Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Lender has retained a Revolving Credit Commitment hereunder, a new Note to the order of the assigning Lender in an amount equal to the Revolving Credit Commitment retained by it hereunder. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A-1 hereto. Upon the Administrative Agent's receipt of notice from the assigning Lender that such assigning Lender is satisfied with the form and substance of such new Notes, the Administrative Agent shall, at the expense of the Borrowers, cancel the surrendered Notes of such assigning Lender and deliver to the Company such cancelled Notes.

(d) The Administrative Agent shall maintain at its address referred to in Section 9.02(a) a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment(s) of, and the principal amount of the Advances owing to each Lender from time to time (the "**Register**"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrowers, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this

Agreement. The Register shall be available for inspection by any Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other entities (other than any Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Revolving Credit Commitment, the Advances owing to it and the other Note or Notes held by it); *provided, however,* that:

(i) such Lender's obligations under this Agreement (including, without limitation, its Revolving Credit Commitment hereunder) shall remain unchanged;

(ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations;

(iii) such Lender shall remain the holder of any such Notes for all purposes of this Agreement;

(iv) the Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement; and

(v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, or any consent to any departure by any Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Advances, or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Advances, or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, except pursuant to Section 2.17;

and *provided further* that the Borrowers shall not be required to pay any additional amounts under this Agreement to compensate a participant (or such Lender, on behalf of a participant) in respect of the rights and obligations of such participant relating to this Agreement in excess of what the Borrowers would otherwise be required to pay to such Lender if the participation had not been sold.

(f) Each Lender may grant to a special purpose funding vehicle (an "**SPC**") that is an Affiliate of such Lender the option to fund all or any part of any Advance that such Lender is obligated to fund under this Agreement (and upon the exercise by such SPC of such option to fund, such Lender's obligations with respect to such Advance shall be deemed satisfied to the extent of any amounts funded by such SPC); *provided, however,* that:

(i) such Lender's obligations under this Agreement (including, without limitation, its Revolving Credit Commitment to the Borrowers hereunder) shall remain unchanged;

(ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations;

(iii) the Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement,

(iv) any such option granted to an SPC shall not constitute a commitment by such SPC to fund any Advance,

(v) neither the grant to nor the exercise of such option by an SPC shall increase the costs or expenses or otherwise increase or change the obligations of the Borrowers under this Agreement (including, without limitation, its obligations under Sections 2.11, 2.12 and 2.14),

(vi) the SPC shall be bound by the provisions of Section 9.09 and

(vii) no SPC shall have any right under such grant to approve any amendment or waiver of any provision of this Agreement or any Note, nor any consent to any departure by the Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such grant of funding option, or postpone any date fixed for any payment of principal of, or interest on, the Advances, or any fees or other amounts payable hereunder, in each case to the extent subject to such grant of funding option.

Each party to this Agreement hereby agrees that no SPC shall be liable for any indemnity or payment under this Agreement for which a Lender would otherwise be liable. Subject to the foregoing provisions of this clause (f), an SPC shall have all the rights of the granting Lender. An SPC may assign or participate all or a portion of its interest in any Advances to the granting Lender or to any financial institution providing liquidity or credit support to or for the account of such SPC without paying any processing fee therefor and, in connection therewith may disclose on a confidential basis any information relating to the Borrowers to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancements to such SPC. In furtherance of the foregoing, each party hereto agrees (which agreements shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof.

(g) Any Lender may, in connection with any assignment, participation or grant of a funding option or proposed assignment, participation or grant of a funding option pursuant to this Section 9.07, disclose to the assignee, participant or SPC or proposed assignee, participant or SPC, any information relating to any Borrower or any of its Subsidiaries furnished to such Lender by or on behalf of any Borrower; *provided* that, prior to any such disclosure, the assignee, participant or SPC or proposed assignee, participant or SPC shall agree to preserve the confidentiality of any Information received by it from such Lender in accordance with the terms of Section 9.09.

(h) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including, without limitation, any pledge or assignment to secure obligations to a Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System; *provided* that, no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender party hereto.

SECTION 9.08. Designated Subsidiaries. (a) **Designation.** The Company may at any time, and from time to time, upon not less than five Business Days' notice in the case of any Subsidiary so designated after the Effective Date, notify the Administrative Agent that the Company intends to designate a Subsidiary as a "Designated Subsidiary" for purposes of this Agreement. On or after the date that is five Business Days after such notice, upon delivery to the Administrative Agent and each Lender of a Designation Letter duly executed by the Company and the respective Subsidiary and substantially in the form of Exhibit D hereto, such Subsidiary shall thereupon become a "Designated Subsidiary" for purposes of this Agreement and, as such, shall have all of the rights and obligations of a Borrower hereunder. The Administrative Agent shall promptly notify each Lender of the Company's notice of such pending designation by the Company and the identity of the respective Subsidiary. Following the giving of any notice pursuant to this Section 9.08(a), if the designation of such Designated Subsidiary obligates the Administrative Agent or any Lender to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Company shall, promptly upon the request of the Administrative Agent or any Lender, supply such documentation and other evidence as is reasonably requested by the Administrative Agent or any Lender in order for the Administrative Agent or such Lender to carry out and be satisfied it has complied with the results of all necessary "know your customer" or other similar checks under all applicable laws and regulations.

If the Company shall designate as a Designated Subsidiary hereunder any Subsidiary not organized under the laws of the United States or any State thereof, any Lender may, with notice to the Administrative Agent and the Company, fulfill its Commitment by causing an Affiliate of such Lender to act as the Lender in respect of such Designated Subsidiary (and such Lender shall, to the extent of Advances made to and participations in Letters of Credit issued for the account of such Designated Subsidiary, be deemed for all purposes hereof to have *pro tanto* assigned such Advances and participations to such Affiliate in compliance with the provisions of Section 9.07).

As soon as practicable after receiving notice from the Company or the Administrative Agent of the Company's intent to designate a Subsidiary as a Designated Subsidiary, and in any event no later than three Business Days after the delivery of such notice, for a Designated Subsidiary that is organized under the laws of a jurisdiction other than of the United States or a political subdivision thereof, any Lender that may not legally lend to, establish credit for the account of and do any business whatsoever with such Designated Subsidiary directly or through an Affiliate of such Lender as provided in the immediately preceding paragraph (a "**Protesting Lender**") shall so notify the Company and the Administrative Agent in writing. With respect to each Protesting Lender, the Company shall, effective on or before the date that such Designated Subsidiary shall have the right to borrow hereunder, either (A) notify

the Administrative Agent and such Protesting Lender that the Commitments of such Protesting Lender shall be terminated (and the limitations of Section 2.06 will not be applicable); *provided* that such Protesting Lender shall have received payment of an amount equal to the outstanding principal of its Advances and Letter of Credit reimbursement obligations, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Company or the relevant Designated Subsidiary (in the case of all other amounts), or (B) cancel its request to designate such Subsidiary as a "Designated Subsidiary" hereunder.

(b) **Termination.** Upon the payment and performance in full of all of the indebtedness, liabilities and obligations of any Designated Subsidiary or any Initial Borrower (other than the Company) under this Agreement and the Notes issued by it, then, so long as at such time such Designated Subsidiary or such Initial Borrower, as the case may be, has not submitted a Notice of Borrowing, such Designated Subsidiary's or such Initial Borrower's status as a Borrower and, if applicable, as a Designated Subsidiary shall terminate upon notice to such effect from the Administrative Agent to the Lenders (which notice the Administrative Agent shall promptly deliver to the Lenders following its receipt of such a request from the Company), *provided* that the termination of the status of Borrower of any Designated Subsidiary shall not terminate any obligations of the Company under Article VII with respect to such Designated Subsidiary. Thereafter, the Lenders shall be under no further obligation to make any Advances to such Designated Subsidiary or such Initial Borrower, as the case may be.

SECTION 9.09. Confidentiality. Each of the Administrative Agent, the Lenders and each SPC agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective managers, administrators, trustees, partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any Note or any action or proceeding relating to this Agreement or any Note or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement, (ii) any actual or prospective party (or its managers, administrators, trustees, partners, directors, officers, employees, agents, advisors and other representatives) to any swap or derivative or similar transaction under which payments are to be made by reference to the Company and its obligations, this Agreement or payments hereunder, (iii) any rating agency, or (iv) the CUSIP Service Bureau or any similar organization, (g) with the consent of the Company or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent, any Lender, the Issuing Bank or any of their respective Affiliates on a nonconfidential basis from a source other than the Company.

For purposes of this Section, “Information” means all information received from the Company or any of its Subsidiaries relating to the Company or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or any SPC on a nonconfidential basis prior to disclosure by the Company or any of its Subsidiaries, *provided* that, in the case of information received from the Company or any of its Subsidiaries after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.10. Governing Law. This Agreement and each of the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 9.11. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.12. Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York state court or federal court of the United States of America sitting in New York City, New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Notes, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York state court or, to the extent permitted by applicable law, in such federal court. Each Borrower hereby further irrevocably consents to the service of process in any action or proceeding in such courts by the mailing thereof by any parties hereto by registered or certified mail, postage prepaid, to such Borrower at its address specified pursuant to Section 9.02. Each Initial Borrower (other than the Company) and each Designated Subsidiary hereby further agrees that service of process in any such action or proceeding brought in any such New York state court or in any such federal court may be made upon the Company at its address referred to in Section 9.02, and each Initial Borrower (other than the Company) and each Designated Subsidiary hereby irrevocably appoints the Company as its authorized agent to accept such service of process, and hereby irrevocably agrees that the failure of the Company to give any notice of any such service to such Initial Borrower or such Designated Subsidiary, as the case may be, shall not impair or affect the validity of such service or of any judgment rendered in any action or proceeding based thereon. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable law. Nothing in this Agreement shall affect any right that any party may otherwise have to serve legal process in any other manner permitted by applicable law or to bring any action or proceeding relating to this Agreement or the Notes in the courts of any jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Notes in any New York state or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) To the extent that any Borrower has or hereafter may acquire any immunity from the jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, such Borrower hereby irrevocably waives such immunity in respect of its obligations under this Agreement and the Notes.

SECTION 9.13. No Liability of the Issuing Banks. The Borrowers assume all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit with respect to its use of such Letter of Credit. Neither an Issuing Bank nor any of its officers or directors shall be liable or responsible for: (a) the use that may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by such Issuing Bank against presentation of documents that do not comply with the terms of a Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit, except that the applicable Borrower shall have a claim against such Issuing Bank, and such Issuing Bank shall be liable to such Borrower, to the extent of any direct, but not consequential damages suffered by such Borrower that such Borrower proves were caused by (i) such Issuing Bank's willful misconduct or gross negligence in determining whether documents presented under any Letter of Credit comply with the terms of the Letter of Credit or (ii) such Issuing Bank's willful failure to make lawful payment under a Letter of Credit after the presentation to it of a draft and certificates strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, such Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation.

SECTION 9.14. Patriot Act. Each Lender hereby notifies the Borrowers that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies each borrower, guarantor or grantor (the "**Loan Parties**"), which information includes the name and address of each Loan Party and other information that will allow such Lender to identify such Loan Party in accordance with the Act.

SECTION 9.15. Judgments. . (a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in any currency (the "Original Currency") into another currency (the "Other Currency"), the Borrowers agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the

Original Currency with the Other Currency at 9:00 A.M. (New York City time) on the first Business Day preceding that on which final judgment is given.

(b) The obligation of each Borrower in respect of any sum due in the Original Currency from it to any Lender or the Administrative Agent hereunder shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Business Day following receipt by such Lender or the Administrative Agent (as the case may be) of any sum adjudged to be so due in such Other Currency, such Lender or the Administrative Agent (as the case may be) may in accordance with normal banking procedures purchase the Original Currency, with such Other Currency; if the amount of the Original Currency so purchased is less than the sum originally due to such Lender or the Administrative Agent (as the case may be) in the Original Currency, each Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or the Administrative Agent (as the case may be) against such loss, and if the amount of the Original Currency so purchased exceeds the sum originally due to any Lender or the Administrative Agent (as the case may be) in the Original Currency, such Lender or the Administrative Agent (as the case may be) agrees to remit to the applicable Borrower such excess.

SECTION 9.16. Waiver of Jury Trial. Each of the Borrowers, the Administrative Agent and the Lenders hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the Notes or the actions of the Administrative Agent or any Lender in the negotiation, administration, performance or enforcement thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

THE BLACK & DECKER CORPORATION

By: _____

Name: Mark M. Rothleitner

Title: Vice President- Investor Relations and
Treasurer

Address: 701 East Joppa Road
Towson, Maryland 21286
Attention: Treasurer
Telephone: (410) 716-3076
Telecopier: (410) 716-3778

With a copy to:

701 East Joppa Road
Towson, Maryland 21286
Attention: General Counsel
Telephone: (410) 716-3918
Telecopier: (410) 716-2660

BLACK & DECKER LUXEMBOURG FINANCE S.C.A

By: Black & Decker Luxembourg S.a r.l., its general partner

By: _____

Name: Mark M. Rothleitner

Title: Manager

Address: c/o Equity Trust Co.
(Luxembourg) S.A.
46 A Avenue J.F. Kennedy
L-1855, Luxembourg

Telephone: 011-352-427-1711
Telecopier: 011-352-421-961

With a copy to the Company

BLACK & DECKER LUXEMBOURG S.A R.L.

By: _____

Name: Mark M. Rothleitner

Title: Manager

Address: c/o Equity Trust Co.

(Luxembourg) S.A.

46 A Avenue J.F. Kennedy

L-1855, Luxembourg

Telephone: 011-352-427-1711

Telecopier: 011-352-421-961

With a copy to the Company

CITIBANK, N.A.,
as Administrative Agent

By: _____

Name:

Title:

ISSUING BANK

LETTER OF CREDIT COMMITMENT

\$75,000,000

BANK OF AMERICA, N.A.

By: _____

Name:

Title:

ADMINISTRATIVE AGENT

REVOLVING CREDIT COMMITMENT

\$110,000,000

CITIBANK, N.A.

By: _____

Name:

Title:

SYNDICATION AGENT

\$110,000,000

JPMORGAN CHASE BANK, N.A.

By: _____
Name:
Title:

DOCUMENTATION AGENTS

\$100,000,000

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

\$85,000,000

BNP PARIBAS

By: _____
Name:
Title:

By: _____
Name:
Title:

\$85,000,000
AND

GRAND CAYMAN BRANCHES

By: _____
Name:
Title:

By: _____
Name:
Title:

LENDERS

\$71,000,000

BANK OF TOKYO-MITSUBISHI UFJ TRUST COMPANY

By: _____
Name:
Title:

\$50,000,000

HSBC BANK USA, NATIONAL ASSOCIATION

By: _____
Name:
Title:

\$50,000,000

MIZUHO CORPORATE BANK, LTD.

By: _____
Name:
Title:

\$50,000,000

SOCIETE GENRALE

By: _____
Name:
Title:

\$50,000,000

SUNTRUST BANK

By: _____
Name:
Title:

\$50,000,000

ING BANK N.V., DUBLIN BRANCH

By: _____
Name:
Title:

\$27,000,000

THE BANK OF NEW YORK

By: _____
Name:
Title:

\$27,000,000

FIFTH THIRD BANK

By: _____
Name:
Title:

\$27,000,000

PNC BANK

By: _____
Name:
Title:

\$27,000,000

SANPAOLO IMI SPA

By: _____
Name:
Title:

\$27,000,000

SKANDINAVISKA ENSKILDA BANKEN AB

By: _____
Name:
Title:

\$27,000,000

THE BANK OF NOVA SCOTIA

By: _____
Name:
Title:

\$27,000,000

STANDARD CHARTERED BANK

By: _____
Name:
Title:

By: _____
Name:
Title:

\$1,000,000,000

TOTAL OF COMMITMENTS

SCHEDULE I
LIST OF APPLICABLE LENDING OFFICES

NAME OF INITIAL LENDER	EURODOLLAR LENDING OFFICE	DOMESTIC LENDING OFFICE
Bank of America, N.A.	1850 Gateway Blvd. Concord CA 94520 Attn: G.K. Lapitan T: 925 675.8205 F: 888 969.9170	1850 Gateway Blvd. Concord CA 94520 Attn: G.K. Lapitan T: 925 675.8205 F: 888 969.9170
The Bank of New York	1 Wall Street, 21 st Floor New York, NY 10286 Attn: Larry Geter T: 212 635-6740 F: 212 635-6397 / 8679	1 Wall Street, 21 st Floor New York, NY 10286 Attn: Larry Geter T: 212 635-6740 F: 212 635-6397 / 8679
The Bank of Nova Scotia	One Liberty Plaza New York, NY 10006 Attn: Meredith Wedeking T: 212 225-5017 F: 212 225-5090	One Liberty Plaza New York, NY 10006 Attn: Meredith Wedeking T: 212 225-5017 F: 212 225-5090
Bank of Tokyo-Mitsubishi UFJ, Trust Company	c/o BTM Operations Office for the Americas 1251 Avenue of the Americas 12 th Floor New York, NY 10020 Attn: Rolando Uy T: 201 413-8570 F: 201 521-2304	c/o BTM Operations Office for the Americas 1251 Avenue of the Americas 12 th Floor New York, NY 10020 Attn: Rolando Uy T: 201 413-8570 F: 201 521-2304
BNP Paribas	787 Seventh Avenue New York, NY 10019 Attn: Christopher Criswell T: 212 841-3404 F: 212 841-3049	787 Seventh Avenue New York, NY 10019 Attn: Christopher Criswell T: 212 841-3404 F: 212 841-3049
Citibank, N.A.	2 Penns Way New Castle, DE 19720 Attn: Terry Jenkins T: 302 894-6037 F: 302 894-6120	2 Penns Way New Castle, DE 19720 Attn: Terry Jenkins T: 302 894-6037 F: 302 894-6120
Commerzbank AG, New York and Grand Cayman Branches	2 World Financial Center New York, NY 10281 Attn: Wendy Lau T: 212 266-7526 F: 212 266-7593	2 World Financial Center New York, NY 10281 Attn: Wendy Lau T: 212 266-7526 F: 212 266-7593

Fifth Third Bank	38 Fountain Square Cincinnati, OH 45263 Attn: Jeff Assenmacher T: 513 744-7757 F: 513 744-5947	38 Fountain Square Cincinnati, OH 45263 Attn: Jeff Assenmacher T: 513 744-7757 F: 513 744-5947
HSBC Bank USA, National Association	452 Fifth Avenue New York, NY 10018 Attn: Donna Riley T: 716 841-4178 F: 716 841-0269	452 Fifth Avenue New York, NY 10018 Attn: Donna Riley T: 716 841-4178 F: 716 841-0269
ING Bank N.V., Dublin Branch	49th Street Stephen's Green Dublin 2 Ireland Attn: Alan Maher / Robbie McNab T: + 353 1 638-4008 / + 353 1 638-4012 F: + 353 1 638-4060	49th Street Stephen's Green Dublin 2 Ireland Attn: Alan Maher / Robbie McNab T: + 353 1 638-4008 / + 353 1 638-4012 F: + 353 1 638-4060
JPMorgan Chase Bank, N.A.	Lisa A. Kott 1111 Fannin, 10 th Floor Houston, TX 77002 T: 713 750-2541 F: 713 750-2452	Lisa A. Kott 1111 Fannin, 10 th Floor Houston, TX 77002 T: 713 750-2541 F: 713 750-2452
Mizuho Corporate Bank, Ltd.	95 Christopher Columbus Drive Jersey City, NJ 07302 Attn: Crystal Lin T: 201-484-4931 F: 201-200-0253	95 Christopher Columbus Drive Jersey City, NJ 07302 Attn: Crystal Lin T: 201-484-4931 F: 201-200-0253
PNC Bank	1600 Market Street, 22 nd Floor Philadelphia, PA 19103 Attn: Denise Killen T: 215 585-5348 F: 215 585-6987	1600 Market Street, 22 nd Floor Philadelphia, PA 19103 Attn: Denise Killen T: 215 585-5348 F: 215 585-6987
Sanpaolo IMI SpA	245 Park Avenue New York, NY 10167 Attn: Robert Mancini T: 212 692-3169 F: 212 692-3178	245 Park Avenue New York, NY 10167 Attn: Robert Mancini T: 212 692-3169 F: 212 692-3178
Skandinaviska Enskilda Banken AB	Attn: Jonathan Larsen T: 011-46-8763-8647 F: 011-46-8611-0382	Attn: Jonathan Larsen T: 011-46-8763-8647 F: 011-46-8611-0382
Societe Generale	560 Lexington Avenue New York, NY 10022 Attn: Angeline Quintana T: 212 278-6853 F: 212 278-7490	560 Lexington Avenue New York, NY 10022 Attn: Angeline Quintana T: 212 278-6853 F: 212 278-7490
Standard Chartered Bank	One Madison Avenue 3 rd Floor New York, NY 10010	One Madison Avenue 3 rd Floor New York, NY 10010

	<p>Attn: Victoria Faltine / Sabeta Singh T: 212 667-0203 / 212 667-0134 F: 212 667-0287</p>	<p>Attn: Victoria Faltine Sabeta Singh T: 212 667-0203 / 212 667-0134 F: 212 667-0287</p>
SunTrust Bank	<p>120 East Baltimore Street, 25th Floor Baltimore, MD 21202 Attn: Paul Beliveau T: 410 986-1662 F: 410 986-1670</p>	<p>120 East Baltimore Street, 25th Floor Baltimore, MD 21202 Attn: Paul Beliveau T: 410 986-1662 F: 410 986-1670</p>

Schedule 2.01
EXISTING LETTERS OF CREDIT

<u>ISSUING BANK</u>	<u>BENEFICIARY</u>	<u>MAT. DATE</u>	<u>AMOUNT</u>
Bank of America	Hartford Fire Insurance Co.	6/30/2008	5,300,000.00
Bank of America	Ace American Insurance Co	6/30/2008	500,000.00
Bank of America	Ace American Insurance Co	10/20/2008	3,493,000.00
Bank of America	Carat Trade, Inc.	6/30/2008	1,600,000.00
			\$10,893,000.00

Schedule 4.01
ENVIRONMENTAL COMPLIANCE

None

**Schedule 5.02(a)
EXISTING LIENS**

The interest of lessors under various capital leases of computer and other office, manufacturing and engineering equipment with a value of less than U.S.\$10,000,000.

EXHIBIT A

FORM OF PROMISSORY NOTE

U.S.\$ _____

Dated: _____, _____

FOR VALUE RECEIVED, the undersigned, [NAME OF BORROWER], a _____ (the "**Borrower**"), **HEREBY PROMISES TO PAY** to the order of [NAME OF LENDER] (the "**Lender**") for the account of its Applicable Lending Office on the Termination Date (each as defined in the Credit Agreement referred to below) the principal sum of U.S.\$[AMOUNT OF THE LENDER'S REVOLVING CREDIT COMMITMENT IN FIGURES] or, if different, the aggregate principal amount of the Advances made by the Lender to the Borrower pursuant to the Five-Year Credit Agreement dated as of _____, 2007 (as amended, supplemented or otherwise modified from time to time, the "**Credit Agreement**"; the terms defined therein being used herein as therein defined) among [the Borrower,] [The Black & Decker Corporation,] [Black & Decker Luxembourg Finance S.C.A.,] [Black & Decker Luxembourg S.àR.L.,] the Lender, certain other lenders party thereto, Citibank, N.A., as Administrative Agent for the Lender and such other lenders, JPMorgan Chase Bank, N.A., as Syndication Agent, and Bank of America, N.A., BNP Paribas and Commerzbank AG, as co-syndication agents, and outstanding on the Termination Date.

The Borrower promises to pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest in respect of each Advance are payable in lawful money of the jurisdiction of the United States, to Citibank., N.A., as the Administrative Agent, at the Administrative Agent's Account, in same day funds. Each Advance owing to the Lender by the Borrower pursuant to the Credit Agreement, and all payments made on account of principal hereof shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Promissory Note.

This Promissory Note is one of the Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (a) provides for the making of Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the US Dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Advance being evidenced by this Promissory Note and (b) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

This Promissory Note shall be governed by, and construed in accordance with, the laws of the State of New York.

[NAME OF BORROWER]

By _____
Name:
Title:

ADVANCES AND PAYMENTS OF PRINCIPAL

EXHIBIT B
FORM OF NOTICE OF BORROWING

[Date]

Citibank, N.A., as Administrative Agent
for the Lenders party to the
Credit Agreement referred to below
Two Penns Way
New Castle, Delaware 19720

Attention: Bank Loan Syndications

Agency Department

Ladies and Gentlemen:

The undersigned, [NAME OF BORROWER], a _____, refers to the Five-Year Credit Agreement dated as of _____, 2007 (as amended, supplemented or otherwise modified from time to time, the "**Credit Agreement**"; the terms defined therein being used herein as therein defined) among The Black & Decker Corporation, Black & Decker Luxembourg Finance S.C.A., Black & Decker Luxembourg S.àR.L., the Lenders party thereto, Citibank, N.A., as Administrative Agent for the Lenders thereunder, JPMorgan Chase Bank, N.A., as Syndication Agent, and Bank of America, N.A., BNP Paribas and Commerzbank AG, as co-syndication agents, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Borrowing under the Credit Agreement and, in that connection, sets forth below the information relating to such Borrowing (the "**Proposed Borrowing**") as required by Section 2.02(a) of the Credit Agreement:

- (a) The Business Day of the Proposed Borrowing is _____, 200_____.
- (b) The Type of Advances comprising the Proposed Borrowing is [Base Rate Advances] [Eurodollar Rate Advances].]
- (c) The aggregate principal amount of the Proposed Borrowing is U.S.\$].
- [**(d)**] The initial Interest Period for each Eurodollar Rate Advance made as part of the Proposed Borrowing is _____ month[s]; provided that if the Lenders do not agree to fund such [nine][twelve] month Interest Period for each Eurodollar Rate Advance made as part of the Proposed Borrowing is _____ month[s].]¹
- (e) The proceeds of the Proposed Borrowing are to be advanced to the undersigned, at _____, _____, Account No.: _____, Reference: _____.]

¹ To be included in Notices of Revolving Credit Borrowing for Proposed Revolving Credit Borrowings comprised of Eurocurrency Rate Advances.

Very truly yours,

[NAME OF BORROWER]

By _____
Name:
Title:

EXHIBIT C
FORM OF ASSIGNMENT AND ACCEPTANCE

Reference is made to the Five-Year Credit Agreement dated as of _____, 2007 (as amended, supplemented or otherwise modified from time to time, the "**Credit Agreement**"; the terms defined therein, unless otherwise defined herein, being used herein as therein defined) among The Black & Decker Corporation, Black & Decker Luxembourg Finance S.C.A., Black & Decker Luxembourg S.àR.L., the Lenders party thereto, Citibank, N.A., as Administrative Agent for the Lenders thereunder (together with any successor thereto appointed pursuant to Article VIII of the Credit Agreement, the "**Administrative Agent**"), JPMorgan Chase Bank, N.A., as Syndication Agent, and Bank of America, N.A., BNP Paribas and Commerzbank AG, as co-syndication agents.

The "**Assignor**" and the "**Assignee**" referred to on Schedule 1 hereto agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement as of the date hereof equal to the percentage interest specified on Schedule 1 hereto of all outstanding rights and obligations under the Credit Agreement. After giving effect to such sale and assignment, the Assignee's Commitment and the aggregate principal amount of all outstanding Advances owing to the Assignee will be as set forth on Schedule 1 hereto.

2. The Assignor (a) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (b) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any Note, or any other instrument or document furnished pursuant thereto; (c) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under the Credit Agreement or any Note, or any other instrument or document furnished pursuant thereto; and (d) attaches the Note, if any, held by the Assignor [and requests that the Administrative Agent exchange such Note for a new Note payable to the order of the Assignee in an amount equal to the Commitment assumed by the Assignee or new Notes payable to the order of the Assignee in an amount equal to the Commitment assumed by the Assignee under the Credit Agreement and the Assignor in an amount equal to the Commitment retained by the Assignor under the Credit Agreement, respectively, as specified on Schedule 1 hereto].

3. The Assignee (a) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01(e) thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (b) agrees that it will, independently and without reliance upon the Administrative Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (c) confirms that it is an Eligible Assignee; (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Administrative Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (e) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; (f) specifies as its Applicable Lending Offices the offices set forth below its name on the signature page hereof; and (g) attaches any U.S. Internal Revenue Service forms or any certificates required to be provided by it under Section 2.14 of the Credit Agreement.

4. Following the execution of this Assignment and Acceptance, it will be delivered to the Administrative Agent for acceptance and recording by the Administrative Agent. The effective date of this Assignment and Acceptance (the "**Effective Date**") shall be the date of acceptance hereof by the Administrative Agent, unless otherwise specified on Schedule 1 hereto.

5. Upon such acceptance and recording by the Administrative Agent, as of the Effective Date, (a) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (b) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement (and if this Assignment and Acceptance covers all or the remaining portion of the Assignor's rights and obligations under the Credit Agreement, subject to the *proviso* set forth below, the Assignor shall cease to be a party thereto as of the Effective Date); *provided, however*, that the Assignor's rights under Sections 2.11, 2.14 and 9.04, and its obligations under Section 8.05, of the Credit Agreement shall survive the assignment by the Assignor pursuant to this Assignment and Acceptance as to matters occurring prior to the Effective Date.

6. Upon such acceptance and recording by the Administrative Agent, from and after the Effective Date, the Administrative Agent shall make all payments under the Credit Agreement and the Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

8. This Assignment and Acceptance may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 hereto by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 hereto to be executed by their officers thereunto duly authorized, as of the date specified thereon.

Schedule 1 to

Assignment and Acceptance

Section 1.

Percentage interest assigned: _____ %

Assignee's Commitment: U.S.\$ _____

Assignor's Remaining Commitment: U.S.\$ _____

Section 2.

(a) Assigned Advances

Aggregate outstanding principal amount of Advances in U.S. Dollars assigned: U.S.\$ _____

Principal amount of Note payable to Assignee: U.S.\$ _____

(b) Retained Advances

Aggregate outstanding principal amount of Advances in U.S. Dollars retained: U.S.\$ _____

Principal amount of Note payable to Assignor: U.S.\$ _____

Effective Date: , _____

[NAME OF ASSIGNOR], as Assignor

By _____
Name:
Title:

Dated: _____, _____

¹ This date should be no earlier than five Business Days after the date of delivery of this Assignment and Acceptance to the Administrative Agent.

[NAME OF ASSIGNEE], as Assignee

By _____

Name:

Title:

Dated: _____, ____

Base Rate Lending Office:
[Address]

Eurodollar Lending Office:
[Address]

Accepted [and Approved]² this
____ day of _____, 200_:

CITIBANK, N.A., as Administrative Agent

By _____
Name:
Title:

[Approved this ____ day
of _____, 200_:

THE BLACK & DECKER CORPORATION

By _____
Name:
Title:]²

² Required if the assignee is an Eligible Assignee solely by reason of clause (c) of the definition of "Eligible Assignee" set forth in Section 1.01 of the Credit Agreement.

EXHIBIT D
FORM OF ASSUMPTION AGREEMENT

[Date]

The Black & Decker Corporation
701 East Joppa Road
Towson, Maryland 21286
Attention: _____

Citibank, N.A.,
as Administrative Agent
for the Lenders party to the
Credit Agreement referred to below

Two Penns Way
New Castle, Delaware 19720
Attention: Bank Loan Syndications

Ladies and Gentlemen:

Reference is made to the Five-Year Credit Agreement dated as of _____, 2007 (as amended, supplemented or otherwise modified from time to time, the "**Credit Agreement**", the terms defined therein being used herein as therein defined) among The Black & Decker Corporation, Black & Decker Luxembourg Finance S.C.A., Black & Decker Luxembourg S.àR.L., the Lenders party thereto, Citibank, N.A., as Administrative Agent for the Lenders thereunder, JPMorgan Chase Bank, N.A., as Syndication Agent, and Bank of America, N.A., BNP Paribas and Commerzbank AG, as co-syndication agents.

_____ (the "**Non-Consenting Lender**") and _____ (the "**Assuming Lender**") agree as follows:

1. The Assuming Lender proposes to become an Assuming Lender pursuant to Section 2.17(c) of the Credit Agreement and, in that connection, hereby agrees with the Administrative Agent and the Company that it shall become a Lender for all purposes of the Credit Agreement on the applicable Extension Date. In connection therewith, the Non-Consenting Lender hereby sells and assigns to the Assuming Lender, and the Assuming Lender hereby purchases and assumes from the Non-Consenting Lender all interest in and to the Non-Consenting Lender's rights and obligations under the Credit Agreement as of the applicable Extension Date, which interest is equal to _____ % of all outstanding rights and obligations of the Lenders under the Credit Agreement on such Extension Date. After giving effect to such sale and assignment, the Assuming Lender's Commitment will be U.S.\$_____ and the aggregate principal amount of all outstanding Advances will be as set forth on Schedule 1 hereto.

2. The Non-Consenting Lender (a) represents and warrants that it is the legal and beneficial owner of the interest being sold and assigned by it hereunder and that such interest is free and clear of any adverse claim; (b) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency

or value of the Credit Agreement or any Note, or any other instrument or document furnished pursuant thereto; (c) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under the Credit Agreement or any Note, or any other instrument or document furnished pursuant thereto; and (d) attaches the Note held by the Non-Consenting Lender and requests that the Administrative Agent exchange such Note for a new Note payable to the order of the Assuming Lender in an amount equal to the Commitment assumed by the Assuming Lender under the Credit Agreement.

3. The Assuming Lender (a) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01(e) thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assumption Agreement; (b) agrees that it will, independently and without reliance upon the Administrative Agent, the Non-Consenting Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (c) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Administrative Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (d) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; (e) confirms that it is an Eligible Assignee; (f) specifies as its Applicable Lending Offices the offices set forth below its name on the signature page hereof; and (g) attaches any U.S. Internal Revenue Service forms or any certificates required to be provided by it under Section 2.14 of the Credit Agreement.

4. Following the execution of this Assumption Agreement, it will be delivered to the Administrative Agent for acceptance and recording by the Administrative Agent. The effective date for this Assumption Agreement (the "**Effective Date**") shall be the applicable Extension Date.

5. Upon satisfaction of the applicable conditions set forth in Section 2.17 and in Article III of the Credit Agreement and upon such acceptance and recording by the Administrative Agent, as of the Effective Date, the Assuming Lender shall be a party to the Credit Agreement and have all of the rights and obligations of a Lender thereunder and, subject to the *proviso* set forth below, the Non-Consenting Lender shall cease to be a party thereto; *provided, however,* that the Non-Consenting Lender's rights and obligations under Sections 2.11, 2.14 and 9.04, and its obligations under Section 8.05, of the Credit Agreement shall survive the assumption of all of the Non-Consenting Lender's rights and obligations under the Credit Agreement pursuant to this Assumption Agreement as to matters occurring prior to the Effective Date.

6. This Assumption Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

7. This Assumption Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Assumption Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Assumption Agreement.

Very truly yours,

[NAME OF ASSUMING LENDER]

By _____

Name:

Title:

Date: _____, ____

Base Rate Lending Office:

[Address]

Eurodollar Lending Office

[Address]

Acknowledged and Agreed to as
of this _____ day of _____, 200_:

[NAME OF NON-CONSENTING LENDER]

By _____
Name:
Title:

Accepted [and Approved]¹ this
____ day of _____, 200_:

CITIBANK, N.A., as Administrative Agent

By _____
Name:
Title:

¹ Required if the Assuming Lender is an Eligible Assignee solely by reason of clause (c) of the definition of "Eligible Assignee" set forth in Section 1.01 of the Credit Agreement.

[Approved this ____ day
of _____, ____:]

THE BLACK & DECKER CORPORATION

By _____
Name:
Title:]¹

Schedule 1 to
Assumption Agreement

Assumed Advances

Aggregate outstanding principal amount of
Advances in U.S. Dollars assumed: U.S.\$ _____

Principal amount of Note payable to
Assuming Lender: U.S.\$ _____

Effective Date: _____, 200_____

EXHIBIT E-1
FORM OF OPINION OF COUNSEL FOR THE BORROWERS

[LETTERHEAD OF MILES & STOCKBRIDGE P.C.]

December 7, 2007

To each of the Lenders party from time to time
to the Five-Year Credit Agreement referred
to below, Citibank, N.A., as Administrative
Agent, and JPMorgan Chase Bank, N.A.,
as Syndication Agent

Re: Five-Year Credit Agreement

Ladies and Gentlemen:

This opinion is being delivered to you pursuant to Section 3.01(g)(v) of the Five-Year Credit Agreement, dated as of December 7, 2007 (the "Credit Agreement"), among The Black & Decker Corporation (the "Company"), Black & Decker Luxembourg Finance S.C.A. and Black & Decker Luxembourg S.à r.l., each as an Initial Borrower, and each of you. Capitalized terms used in this letter that are not otherwise defined herein have the meanings as specified in the Credit Agreement.

We have acted as counsel to the Company in connection with the negotiation, execution and delivery of the Credit Agreement. In our capacity as counsel for the Company, and for purposes of the opinions expressed herein, we have examined the following:

- (a) A counterpart of the Credit Agreement executed by the Company, and each of the Notes delivered by the Company pursuant to Section 3.01(g)(i) of the Credit Agreement on the date hereof;
- (b) The charter and the bylaws of the Company (together, the "Governing Documents");
- (c) The records of proceedings and actions of the boards of directors of the Company in respect of the execution, delivery and performance of the Credit Agreement and the transactions contemplated thereby;
- (d) A certificate of the State Department of Assessments and Taxation of the State of Maryland, dated December 6, 2007, to the effect that, among other things, the Company is (i) duly incorporated under and by virtue of the laws of the State of Maryland and (ii) is duly authorized to exercise in the State of Maryland all the powers recited in its charter and to transact business in the State of Maryland; and
- (e) The other documents furnished on the date hereof by the Company pursuant to Section 3.01(g) of the Credit Agreement.

We have made inquiry of appropriate officers of the Company regarding the identity of any indentures, loan or credit agreements, leases, guarantees, mortgages, security agreements, bonds, notes and other agreements or instruments, and any orders, writs, judgments, awards, injunctions and decrees, that affect or purport to affect the Company's right to borrow money or its obligations under the Credit Agreement

or any of the Notes, and we have examined originals, or copies certified to our satisfaction, of all documents so identified. The results of such inquiries and examination are included in the definition of "our knowledge" set forth herein. In addition, we have examined originals, or copies certified to our satisfaction, of such other corporate records of the Company, certificates of public officials and of officers of the Company, and agreements, instruments and other documents, as we have deemed necessary as a basis for the opinions expressed below, subject to the assumptions, qualifications and limitations set forth herein.

For purposes of the opinions expressed herein, we have relied as to factual matters on certificates of officers and representatives of the Company and have obtained such further assurances as we deemed necessary or appropriate. We also have relied on, and assumed the accuracy of, the representations and warranties made by the Company in the Credit Agreement (except to the extent those representations and warranties involved legal conclusions).

In basing the opinions and the other matters set forth below on "our knowledge," the words "our knowledge" mean that, in the course of our representation of the Company in matters in respect of which we have been engaged as counsel, no information has come to our attention that would give us actual knowledge that any such opinion or other matter is not accurate or that any of the documents, certificates, reports and information on which we have relied are not accurate and complete. Except as otherwise stated herein, we have undertaken no independent investigation or verification of such matters. The words "our knowledge" are further limited to the knowledge of the lawyers within our firm who have recently worked on matters on behalf of the Company.

In expressing the opinions set forth herein, we have assumed that (i) all documents submitted to us as originals are authentic, (ii) all documents submitted to us as copies conform with the originals of those documents, (iii) all signatures on all documents submitted to us for examination are genuine, (iv) each natural person executing any such document is legally competent to do so and (v) all public records reviewed by us or on our behalf are accurate and complete.

Based on the foregoing and subject to the assumptions, qualifications and limitations set forth herein, we are of the opinion that:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Maryland and is duly authorized to exercise all the powers recited in its charter and to transact business in the State of Maryland.
2. The execution, delivery and performance by the Company of the Credit Agreement and the Notes executed and delivered, or to be executed and delivered, by it, and the consummation of the transactions contemplated thereby, are within the corporate powers of the Company, have been duly authorized by all necessary corporate action and do not contravene (i) the Governing Documents, (ii) any law, statute, rule or regulation applicable to the Company or (iii) to our knowledge, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting the Company or any of its Subsidiaries or any of its properties or assets, or any order, writ, judgment, award, injunction or decree by which the Company or any of its Subsidiaries is bound, in either case that affects or purports to affect the Company's right to borrow money or its obligations under the Credit Agreement or any of the Notes.
3. No authorization, approval or other action by, and no notice to or filing with, any Governmental Authority or, to our knowledge, any other third party that is a party to any agreement or document to which the Company or any of its Subsidiaries is a party is required for the due execution, delivery or performance by the Company of the Credit Agreement or the Notes executed and delivered, or to be executed and delivered, by it.

4. The Credit Agreement has been duly executed and delivered by the Company. The Notes executed and delivered by the Company on the date hereof have been duly executed and delivered by the Company.
5. To our knowledge, there is no action, suit, investigation, litigation or proceeding (including, without limitation, any Environmental Action against or in any other way affecting the Company or any of its Subsidiaries or any of its properties or businesses) pending or threatened before any court, Governmental Authority or arbitrator that (i) either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or (ii) purports to adversely affect the legality, validity or enforceability of the Credit Agreement or the consummation of the transactions contemplated thereby.
6. The choice of New York law to govern the Credit Agreement and each of the Notes is a valid and effective choice of law under the laws of the State of Maryland, and, in a properly presented case, a Maryland court and a federal court sitting in the State of Maryland and applying Maryland choice of law principles would recognize and enforce the choice of New York law, to the extent the law of that State is chosen, to govern the Credit Agreement and the Notes which expressly state that, in whole or in part, New York law shall be the governing law. Without limiting the generality of the foregoing, a Maryland court and a federal court sitting in the State of Maryland and applying Maryland choice of law principles would apply the usury law of the State of New York, and would not apply the usury law of the State of Maryland, to the Credit Agreement and the Notes. If a Maryland court or a federal court sitting in the State of Maryland and applying Maryland law were to hold that, notwithstanding the choice of law set forth therein, the Credit Agreement and the Notes are to be governed by and construed in accordance with the laws of the State of Maryland, the Credit Agreement and Notes would be, under the laws of the State of Maryland, legal, valid and binding obligations of the Company enforceable against the Company in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting the rights of creditors generally, and except that the remedy of specific performance and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding, whether at law or in equity, may be brought.

We express no opinion as to the laws of any jurisdiction other than the laws of the State of Maryland and the federal laws of the United States of America.

This letter and the opinions set forth herein are being furnished by us to you solely for your benefit in connection with the transactions contemplated by the Credit Agreement and may not be relied upon by any person or for any other purpose without our prior written consent. Notwithstanding the foregoing, any Person that becomes a Lender in accordance with the provisions of the Credit Agreement may rely on the opinions expressed herein as if this letter were addressed to such Lender on the date hereof. The opinions set forth herein are limited to the matters set forth in this letter and no other opinions should be inferred beyond the matters expressly stated.

Very truly yours,

Miles & Stockbridge P.C.

By: _____
Principal

EXHIBIT E-2
FORM OF OPINION OF COUNSEL FOR BDLF AND BDL

[LETTERHEAD OF ALLEN & OVERY LUXEMBOURG]

To each of the Lenders party from time to time to the Five Year Credit Agreement referred to below, the Administrative Agent and the Syndication Agent

Black & Decker Luxembourg Finance S.C.A. – Five-Year Credit Agreement

Dear Sirs,

We have acted as special legal advisers in the Grand-Duchy of Luxembourg (**Luxembourg**) to Black & Decker Luxembourg Finance S.C.A. (the **Company**), a corporate partnership limited by shares (*société en commandite par actions*) organized under the laws of Luxembourg, with registered office at 46A avenue J.-F. Kennedy in L – 1855 Luxembourg and registered with the Luxembourg Trade and Companies Register under number B113.377.

This legal opinion is issued pursuant to section 3.02 of a USD 1,000,000,000 Five-Year Credit Agreement dated as of 7 December 2007 (as amended, supplemented or otherwise modified from time to time, the **Credit Agreement**) among *inter alia* (i) The Black & Decker Corporation, Black & Decker Luxembourg S.à r.l. (**B&D Luxembourg**) and the Company as borrowers, (ii) Citibank N.A., as administrative agent (hereafter referred to as **Citibank** or the **Administrative Agent**), (iii) JPMorgan Chase Bank, N.A. as Syndication Agent (**JP Morgan** and together with the Administrative Agent, **the Agents**), (iv) the initial lenders named in the Credit Agreement (the **Lenders**) and (v) Bank of America, N.A., B.N.P. Paribas and Commerzbank AG as documentation agents (the **Documentation Agents**).

This legal opinion is also furnished to you in connection with the execution and the delivery by the Company of the Credit Agreement and of the Notes issued pursuant to section 3.02 of the Credit Agreement (the **Notes**).

We give this opinion on the basis of and subject to the assumptions and qualifications set out below.

I. BASIS OF OPINION

We have examined, to the exclusion of any other document, copies of the documents listed below. The documents mentioned in paragraphs (a) and (b) below are hereinafter referred to as the **Opinion Documents**:

- (a) a PDF copy received by e-mail of the executed the Credit Agreement;
 - (b) a PDF copy received by e-mail of the Notes executed by the Company dated 7 December 2007;
 - (c) a copy of the Articles of Association of the Company dated 9 December 2005 (the **Articles**);
 - (d) a copy of the written resolutions of the board of B&D Luxembourg acting in its capacity as general partner of the Company (the **General Partner**) dated 6 December 2007 approving, among others, the execution of and the performance of the Company under the Credit Agreement and the Notes (the **Resolutions**);
-

- (e) a certificate of Ms Elizabeth A. Dolce, manager of the General Partner, dated 7 December 2007, attesting that (i) Mr Mark Rothleitner has been duly elected or appointed and has duly qualified as, and on the date thereof is, an officer of B&D Luxembourg authorized to sign on behalf of B&D Luxembourg, in its capacity as general partner of the Company, on behalf of the Company, the Credit Agreement, the Notes and such other documents delivered pursuant to the Credit Agreement on behalf of the Company and that (ii) the Company has obtained all third-party approvals with respect to the Opinion Documents;
- (f) a certificate of Ms Elizabeth A. Dolce and Fides (Luxembourg) S.A., managers of the General Partner, dated 7 December 2007, attesting that the place of the central administration (*siege de l'administration centrale*) and the centre of main interests of the Company are located at its registered office (*siege statutaire*) in Luxembourg and that the Company complies with, and adheres to, the provisions of the Luxembourg act dated 31 May 1999 concerning the domiciliation of companies, as amended;
- (g) an excerpt of the Luxembourg Trade and Companies Register pertaining to the Company dated 20 November 2007 (the **Excerpt**); and
- (h) a certificate dated 7 December 2007 from the 2nd section of the District court of Luxembourg, entrusted with commercial matters (*greffe de la 2ème section du Tribunal d'Arrondissement de et à Luxembourg, chargée des affaires commerciales*) according to which no bankruptcy proceedings have been initiated on such date against the Company.

In addition, on 7 December at 1.30 p.m. CET, we checked on the internet site of the Luxembourg Trade and Companies Register and did not detect (i) actions for a voluntary or compulsory liquidation of the Company and (ii) steps to appoint a liquidator or a similar officer over or to wind up the Company which were at that date and time on record on the internet site of the Luxembourg Trade and Companies Register.

Words and expressions defined in the Opinion Documents shall, except where the context otherwise requires, have the same meanings in this legal opinion.

II. ASSUMPTIONS

In giving this legal opinion, we have assumed with your consent, and we have not verified independently:

- (a) the genuineness of all signatures, stamps and seals, the conformity to the originals of all the documents submitted to us as certified, photostatic, faxed or e-mailed copies or specimens and the authenticity of the originals of such documents;
- (b) the due and valid authorization, execution and delivery of the Opinion Documents by all the parties thereto (other than the Company), as well as the power, authority, capacity and legal right of all the parties thereto (other than the Company) to enter into, execute, deliver and perform their respective obligations thereunder, and compliance with all applicable laws and regulations, other than Luxembourg law;
- (c) that all authorizations, approvals and consents of any country other than Luxembourg which may be required in connection with the execution, delivery and performance of the Opinion Documents (and any other documents in connection therewith) have been or will be obtained and that all internal corporate or other authorization procedures by each party (other than the Company) for the execution by it of the Opinion Documents (or any document in connection therewith) to which it is

expressed to be a party, have been duly fulfilled;

- (d) that the Opinion Documents (and any document in connection therewith) have been signed on behalf of the Company by Mr Mark Rothleitner duly appointed by the General Partner as per the minutes mentioned in paragraph I (d);
- (e) that the Opinion Documents are legal, valid, binding and enforceable under New York law, that the choice of New York law is valid (as a matter of New York law) as the choice of proper law and that the obligations assumed by all the parties thereunder constitute legal, valid, binding and enforceable obligations under New York law by which the Opinion Documents are expressed to be governed;
- (f) that the Opinion Documents constitute the legal, valid and binding obligations of each of the parties thereto (other than the Company) under the laws of the jurisdiction of their incorporation or of their principal office or of their principal place of establishment;
- (g) that the Opinion Documents are in the proper legal form to be admissible in evidence and enforced in the courts, and in accordance with the laws, of the State of New York by which they are expressed to be governed;
- (h) that, in so far as any obligation under, or action to be taken under, the Opinion Documents is required to be performed or taken in any jurisdiction outside Luxembourg, the performance of such obligation or the taking of such action will constitute a valid and binding obligation of each of the parties thereto under the laws of that jurisdiction and will not be illegal by virtue of the laws of that jurisdiction;
- (i) that there are no provisions of the laws of any jurisdiction outside Luxembourg which would adversely affect, or otherwise have any negative impact on, the opinions expressed in this legal opinion;
- (j) that all the parties to the Opinion Documents (other than the Company) are companies duly organized, incorporated and validly existing in accordance with the laws of the jurisdictions of their respective incorporation and/or their place of effective management, having a corporate existence, that in respect of all the parties to the Opinion Documents, no steps have been taken pursuant to any insolvency proceedings to appoint an administrator, receiver or liquidator over the respective parties or their assets and that no voluntary winding-up of such parties has been recorded at the date hereof;
- (k) that all conditions precedent to the effectiveness of each of the Opinion Documents, other than the delivery of this legal opinion, have been satisfied and that each of the Opinion Documents is in full force and effect as against the parties thereto;
- (l) that all payments and transfers made by, on behalf of, in favour of, or for the account of, the Company are made on arm's length terms and are in accordance with market practice;
- (m) that any representation, warranty or statement of fact or law, other than as to the laws of Luxembourg, made in the Opinion Documents (and any document in connection therewith) and relied upon or assumed in this legal opinion is true, accurate and complete in all respects material to this opinion; and
- (n) that the Articles have not been amended since the date referred to in paragraphs I. (c); and
- (o) that the meeting of the General Partner of the Company mentioned in paragraph I. (d) above was

duly convened, and duly held.

We express no, nor do we imply any, opinion as to any laws other than the laws of Luxembourg.

III. OPINION

Based upon, and subject to, the assumptions made above and the qualifications set out below and subject to any matters not disclosed to us, we are of the opinion that, under the laws of Luxembourg in effect, and as construed and applied by the Luxembourg courts, on the date hereof:

1. The Company is a corporate partnership limited by shares (*société en commandite par actions*) formed for an unlimited duration and validly existing under the laws of Luxembourg.
2. The Company has the corporate power and authority under the laws of Luxembourg to enter into, execute and deliver the Opinion Documents and to perform its obligations thereunder.
3. THE OPINION DOCUMENTS HAVE BEEN DULY EXECUTED AND DELIVERED ON BEHALF OF THE COMPANY.
4. THE EXECUTION AND DELIVERY BY THE COMPANY AND THE COMPLIANCE WITH THE TERMS AND CONDITIONS, OF THE OPINION DOCUMENTS DO NOT (AS A MATTER OF LUXEMBOURG LAW) CONTRAVENE ANY APPLICABLE LAW OR REGULATION OF LUXEMBOURG AND DO NOT CONTRAVENE OR CONSTITUTE A DEFAULT UNDER THE ARTICLES.
5. IT IS NOT NECESSARY IN ORDER TO ENSURE THE LEGALITY, VALIDITY, ENFORCEABILITY OR ADMISSIBILITY IN EVIDENCE OF ANY OF THE OPINION DOCUMENTS THAT ANY OF THEM OR ANY OTHER DOCUMENT IN RESPECT THEREOF BE NOTARISED OR SUBJECT TO ANY OTHER FORMALITY OR BE FILED, RECORDED, REGISTERED OR ENROLLED WITH ANY COURT OR OFFICIAL AUTHORITY IN LUXEMBOURG OR THAT ANY OTHER ACTION BE TAKEN IN RELATION TO THE SAME OR ANY OF THEM. THE REGISTRATION OF THE OPINION DOCUMENTS IN LUXEMBOURG AND ANY DOCUMENTS MENTIONED THEREIN OR CONNECTED THEREWITH MAY BECOME NECESSARY, IF AND WHEN THEY ARE REFERRED TO OR USED IN A LUXEMBOURG PUBLIC DEED AND LUXEMBOURG COURTS OR AN OFFICIAL LUXEMBOURG AUTHORITY MAY REQUIRE THE PRIOR REGISTRATION OF THE OPINION DOCUMENTS IN LUXEMBOURG, IF THEY WERE TO BE PRODUCED IN A LUXEMBOURG COURT ACTION OR EXHIBITED BEFORE AN OFFICIAL LUXEMBOURG AUTHORITY.
6. THE OBLIGATIONS EXPRESSED TO BE ASSUMED BY THE COMPANY UNDER THE OPINION DOCUMENTS CONSTITUTE ITS LEGAL, VALID AND BINDING OBLIGATIONS AND ARE, SUBJECT TO THEIR VALIDITY, LEGALITY AND ENFORCEABILITY UNDER THE LAWS OF THE STATE OF NEW YORK BY WHICH THEY ARE EXPRESSED TO BE GOVERNED, ENFORCEABLE AGAINST IT IN ACCORDANCE WITH THEIR TERMS.
7. SUBJECT TO QUALIFICATION I. BELOW, IF THE OPINION DOCUMENTS WERE SUED UPON BEFORE A COURT IN LUXEMBOURG (IF HAVING JURISDICTION), SUCH COURT WOULD RECOGNISE AND GIVE EFFECT TO THE PROVISIONS IN THE OPINION DOCUMENTS WHEREBY THEY ARE EXPRESSED TO BE GOVERNED, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

8. THE PROVISIONS IN THE CREDIT AGREEMENT FOR THE SUBMISSION TO THE NON EXCLUSIVE JURISDICTION OF ANY NEW YORK STATE COURT OR FEDERAL COURT OF THE UNITED STATES OF AMERICA SITTING IN NEW YORK CITY, NEW YORK ARE VALID AND BINDING ON THE COMPANY.
9. SUBJECT TO QUALIFICATION D. BELOW, UNDER THE LAWS OF LUXEMBOURG, A FINAL AND CONCLUSIVE JUDGEMENT IN RESPECT OF THE OPINION DOCUMENTS OBTAINED AGAINST THE COMPANY IN THE NEW YORK STATE COURT OR FEDERAL COURT OF THE UNITED STATES OF AMERICA SITTING IN NEW YORK CITY, NEW YORK WOULD BE RECOGNISED AND ENFORCED BY A COURT IN LUXEMBOURG SUBJECT TO THE APPLICABLE ENFORCEMENT (*EXEQUATUR*) PROCEDURE.
10. ANY JUDGEMENT AWARDED IN THE COURTS OF LUXEMBOURG MAY BE EXPRESSED IN A CURRENCY OTHER THAN THE EURO. HOWEVER, ANY OBLIGATION TO PAY A SUM OF MONEY IN ANY CURRENCY OTHER THAN THE EURO WILL BE ENFORCEABLE IN LUXEMBOURG IN TERMS OF THE EURO ONLY.
11. THE COMPANY IS NOT ENTITLED TO CLAIM IMMUNITY FROM SUIT, EXECUTION, ATTACHMENT OR OTHER LEGAL PROCESS IN THE COURTS OF LUXEMBOURG, WHETHER GENERALLY OR IN RELATION TO ANY SPECIFIC PROPERTY.
12. THE OBLIGATIONS OF THE COMPANY, AS A BORROWER UNDER THE OPINION DOCUMENTS, RANK AND WILL RANK AT LEAST *PARI PASSU* WITH ALL ITS OTHER PRESENT AND FUTURE UNSECURED INDEBTEDNESS SAVE THOSE WHOSE CLAIMS ARE PREFERRED IN ACCORDANCE WITH ANY BANKRUPTCY, INSOLVENCY, LIQUIDATION OR OTHER LAWS OF GENERAL APPLICATION.
13. IT IS NOT NECESSARY UNDER THE LAWS OF LUXEMBOURG THAT ANY AGENT OR ANY LENDER BE AUTHORISED OR QUALIFIED TO CARRY ON BUSINESS IN LUXEMBOURG (I) BY REASON OF THE EXECUTION OF THE OPINION DOCUMENTS AND (II) IN ORDER TO ENABLE IT TO ENFORCE ITS RIGHTS UNDER THE OPINION DOCUMENTS.
14. THE AGENTS AND THE LENDERS ARE NOT DEEMED TO BE RESIDENT, DOMICILED OR CARRYING ON BUSINESS IN LUXEMBOURG BY REASON ONLY OF THE EXECUTION AND/OR PERFORMANCE OF THE CREDIT AGREEMENT.
15. Subject to qualification c. below, no authorisations, approvals, consents, licenses, exemptions, stamp duty, filings, registrations, notarisations and other requirements of governmental, judicial and public bodies and authorities of or in Luxembourg are required in connection with the entry into, performance, validity and enforceability of the Opinion Documents and the transactions contemplated thereby.
16. All amounts payable by the Company under the Credit Agreement may be made free and clear of, and without, any deduction of or withholding of tax in Luxembourg.

IV. QUALIFICATIONS

The above opinions are subject to the following qualifications:

- A. The rights and obligations of the Company and the validity, legality, performance and enforceability of the Opinion Documents are subject to, and may be affected or limited by, the

provisions of any applicable bankruptcy, insolvency, liquidation, moratorium or reprieve from payment (*sursis de paiement*), controlled management (*gestion contrôlée*), general settlement or composition with creditors (*concordat préventif de faillite*), fraudulent conveyance (*actio pauliana*), reorganisation or similar Luxembourg or foreign laws affecting the rights of creditors generally.

- B. Foreign principles of bankruptcy, insolvency, liquidation, moratorium, composition with creditors, fraudulent conveyance, reorganisation, reconstruction or other laws affecting the rights of creditors generally applicable to any of the parties to the Opinion Documents may impact on the Opinion Documents, if and to the extent that such principles are inconsistent with Luxembourg principles of Public Policy. **Public Policy** means the fundamental concepts of Luxembourg law that the Luxembourg courts may deem, in a given case, to be of such significance so as to exclude the application of an (otherwise applicable) foreign law deemed to be contrary to such concepts. Luxembourg courts have in the past, for instance, refused to recognise a bankruptcy judgement in respect of a company rendered by a foreign court in whose jurisdiction such company did not, in the opinion of the Luxembourg court, have its principal place of business and the management of its corporate matters (*district court, luxembourg, 13 july 1984, n° 826/84, unpublished*). We do not have any reason to believe that the entry into and the performance under the Opinion Documents would violate Luxembourg International Public Policy.
- C. With respect to the opinions expressed in paragraphs 5. and 15. above, if the registration of the Opinion Documents (or any document in connection therewith) with the *administration de l'enregistrement et des domaines* in Luxembourg is required either a nominal registration duty or an *ad valorem* duty will be payable, depending on the nature of the document subject to registration (e.g., an *ad valorem* duty of 0.24 (zero point twenty four) *per cent.* on the amount of a payment obligation mentioned in the document so registered). If registration is so required, the Luxembourg courts or the official authority may require that the Opinion Documents (or any documents in connection therewith) be translated into French or German.
- D. Pursuant to Luxembourg case law, the granting of exequatur is subject to the following requirements:
- the foreign court order must be enforceable in the country of origin,
 - the court of origin must have had jurisdiction both according to its own laws and to the Luxembourg conflict of jurisdictions rules,
 - the foreign procedure must have been regular in light of the laws of the country of origin,
 - the foreign decision must not violate the rights of defense,
 - the foreign court must have applied the law which is designated by the Luxembourg conflict of laws rules, or, at least, the order must not contravene the principles underlying these rules,
 - the considerations of the foreign order as well as the judgement as such must not contravene Luxembourg International Public Policy,
 - the foreign order must not have been rendered subsequent to an evasion of Luxembourg law («*fraude à la loi*»).

- E. A foreign jurisdiction clause does not prevent the parties from initiating legal action in front of Luxembourg courts to the extent that summary proceedings (*référé*) seeking conservatory or urgent provisional measures are concerned. Notwithstanding a foreign jurisdiction clause, Luxembourg courts would have in principle jurisdiction for any conservatory or provisional action in connection with assets located in Luxembourg and such action would most likely be governed by Luxembourg law.
- F. Interest may not accrue on interest that is due on capital, unless such interest has been due for at least one year (*article 1154 of the civil code*). The right to compound interest is limited to cases where (a) the interest has been due for at least one year and (a) the parties have specifically provided in an agreement (to be made after that interest has become due for at least one year) that such interest may be compounded (or absent such agreement, the creditor may file an appropriate request with the relevant court). The provisions of article 1154 of the civil code are generally considered to be a point of Public Policy under Luxembourg law. It is possible that a Luxembourg court would consider them to be a point of International Public Policy that would set aside the relevant foreign governing law.
- G. We express no opinion as to whether any provision in the Opinion Documents conferring a right of set-off or similar right or a right stipulated to be irrevocable would be effective against a Luxembourg bankruptcy receiver, liquidator or creditor. Claims may become barred under statutory limitation period rules and may be subject to defences of set-off or counter-claims. No opinion on close-out netting is expressed or, in general, as to whether rights of set-off are effective in a Luxembourg insolvency situation.
- H. We express no opinion as to the validity and enforceability of provisions whereby interest on overdue amounts or other payment obligations shall continue to accrue or subsist after judgement.
- I. With respect to the opinions expressed in paragraph 7. above, the Luxembourg courts would not apply a chosen foreign law if that choice was not made *bona fide* and/or if:
- (i) it were not pleaded and proved; or
 - (ii) if pleaded and proved, such foreign law would be contrary to the mandatory rules of Luxembourg law or manifestly incompatible with Luxembourg International Public Policy.
- J. Clauses that grant to one of the parties the power to determine, in its absolute discretion, certain facts, to fix the terms and conditions of the obligations of the other party or to state unilaterally the amount of expenses or losses to be recovered from the other party and that thus grant the power to determine unilaterally the commitments of the other party, may be declared void by a Luxembourg court (if competent) on the basis of articles 1170 and 1174 of the Luxembourg Civil Code (*condition purement potestative*, one-sided clause). It is generally held that such clauses are voidable only if they are expressed in favour of the debtor and grant the latter the discretionary power or right to determine its obligations. Articles 1170 and 1174 of the Luxembourg Civil Code are considered to be a point of Public Policy under Luxembourg law. It is possible that a Luxembourg court would consider them to be a point of International Public Policy that would set aside the relevant foreign governing law.
- K. Penalty clauses (*clauses pénales*), and similar clauses on damages or liquidated damages, as governed by article 1152 and articles 1226 et seq. of the Luxembourg Civil Code are allowed to the extent that they provide for a reasonable level of damages. The judge has however the right to

reduce (or increase) the amount thereof if it is unreasonably high (or low). The provisions of article 1152 and articles 1226 et seq. of the Civil Code are generally considered to be a point of Public Policy under Luxembourg law. It is possible that a Luxembourg court would consider them to be a point of International Public Policy that would set aside the relevant foreign governing law.

- L. Any indemnity provision entitling one party to recover its legal and other enforcement costs and expenses from another party may be limited in terms of items or amounts as a Luxembourg court (if competent) deems appropriate.
- M. A contractual provision allowing the service of process against the Company to a service agent could be overridden by Luxembourg statutory provisions allowing the valid service of process against the Company in accordance with applicable laws at its domicile. If the designation of a service agent constitutes (or will be deemed to constitute) or, if the Company issues, a power of attorney or mandate (*mandat*), whether or not irrevocable, such power of attorney or mandate will terminate by force of law, and without notice, upon the occurrence of insolvency events affecting the Company.
- N. Certain obligations may not be subject to specific performance pursuant to court orders, but may result in damages only. Any certificate which would by contract be deemed to be conclusive may not be upheld by the Luxembourg courts.
- O. Other than expressly set out in this legal opinion, we express no tax opinion whatsoever in respect of the Company or the tax consequences of the transactions contemplated by the Opinion Documents (or any document in connection therewith) and we express no opinion on matters of fact, or on matters of trust, or on matters other than those expressly set forth in this legal opinion, and no opinion is, or may be, implied or inferred herefrom. No opinion is given as to whether the performance of the Opinion Documents would cause any borrowing limits, debt/equity or other ratios possibly agreed with the tax authorities to be exceeded nor as to the consequences thereof.
- P. With your consent, we have not made any enquiry regarding, and no opinion is expressed or implied in relation to, the accuracy of any representation or warranty given by, or concerning, any of the parties to the Opinion Documents or whether such parties or any of them have complied with or will comply with any covenant or undertaking given by them or the terms and conditions of any obligations binding upon them, save as expressly provided herein.
- Q. Payments made, as well as other transactions (listed in the pertinent section of the Luxembourg Code of Commerce) concluded or performed, during the so-called suspect period (*période suspecte*) which is fixed by the Luxembourg court and dates back (not more than) six (6) months as from the date on which the Luxembourg court formally adjudicates a person bankrupt, and, as for specific payments and transactions, during an additional period of ten days before the commencement of such period, are subject to cancellation by the Luxembourg court upon proceedings instituted by the Luxembourg insolvency receiver (*curateur*).

In particular,

- (I) Article 445 of the Luxembourg Code of Commerce sets out that, during the suspect period and an additional period of ten days preceding the suspect period fixed by the court, specified transactions (e.g., the granting of a security interest for antecedent debts; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due

by any other means than in cash or by bill of exchange; the sale of assets without consideration or for materially inadequate consideration) must be set aside or declared null and void, as the case may be, if so requested by the insolvency receiver;

(II) Article 446 of the Luxembourg Code of Commerce states that payments made for matured debts as well as other transactions concluded for consideration during the suspect period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt's cessation of payments; and

(III) Regardless of the suspect period, article 448 of the Luxembourg Code of Commerce and article 1167 of the civil code (*actio pauliana*) give the creditor the right to challenge any fraudulent payments and transactions made prior to the bankruptcy, without limitation of time.

R. The opinion expressed in paragraph III. 1. above is qualified as follows:

(i) a search at the clerk's office of the Luxembourg district court (sitting in commercial matters) or with the Luxembourg Trade and Companies Register is not necessarily capable of conclusively revealing whether or not a winding-up petition or a petition for the making of an administration or bankruptcy order or similar action has been presented by or against the Company; and

(ii) the corporate documents (including, but not limited to, the notice of a winding-up order or resolution, notice of the appointment of a receiver, manager, administrator or administrative receiver) may not be deposited immediately at the clerk's office of the Luxembourg district court (sitting in commercial matters) and/or with the Luxembourg Trade and Companies Register and there may be a delay in the relevant notice appearing on the files, respectively the information available on the internet site of the Luxembourg Trade and Companies register, regarding the relevant party. Such a document may also not have been filed in the Company's file or be on record at the internet site of the Luxembourg Trade and Companies Register.

S. As used in this opinion, the term **enforceable** means in relation to each obligation or document, that it is of a type which may be enforced by the Luxembourg courts. Nonetheless, it is not certain, however, that each obligation or document will be enforced in accordance with its terms in every circumstance, enforcement being subject in particular to, *inter alia*, the nature of the remedies available in the Luxembourg courts, the acceptance by such court of jurisdiction, the discretion of the courts (within the limits of Luxembourg law), the power of such courts to stay proceedings, the provisions of Luxembourg civil procedure rules regarding remedies and enforcement measures available under Luxembourg law. Enforcement may further be limited by general principles of equity and good faith.

T. The question as to whether or not any provision of the Opinion Documents which may be invalid on account of illegality may be severed from the other provisions thereof in order to save those other provisions would be determined by the Luxembourg courts in their discretion.

This legal opinion is given on the express basis, accepted by each person who is entitled to rely on it, that this legal opinion and all rights, obligations or liability in relation to it are governed by, and shall be construed in accordance with, Luxembourg law and that any action or claim in relation to it can only be brought exclusively before the courts of Luxembourg.

Luxembourg legal concepts are expressed in English terms and not in their original French or German terms. The concepts concerned may not be identical to the concepts described by the same English terms as they exist under the laws of other jurisdictions. It should be noted that there are always irreconcilable differences between languages making it impossible to guarantee a totally accurate translation or interpretation. In particular, there are always some legal concepts which exist in one jurisdiction and not in another, and in those cases it is bound to be difficult to provide a completely satisfactory translation or interpretation because the vocabulary is missing from the language. We accept no responsibility for omissions or inaccuracies to the extent that any are attributable to such factors. This legal opinion may, therefore, only be relied upon under the express condition that any issues of interpretation arising thereunder will be governed by Luxembourg law and be brought before a Luxembourg court.

This legal opinion is given for your sole benefit and may not be relied upon, quoted or otherwise used by any other person other than your legal advisers or for any other purposes without our prior written consent.

Yours faithfully,

ALLEN&OVERY
LUXEMBOURG

Marc Feider
Avocat à la Cour
Partner

EXHIBIT E-3
FORM OF OPINION OF COUNSEL FOR A DESIGNATED SUBSIDIARY

To each of the Lenders party to the

Credit Agreement referred to below,
and to Citibank, N.A., as Administrative
Agent for such Lenders

[Name of Designated Subsidiary]

Ladies and Gentlemen:

This opinion is furnished to you pursuant to Section 3.02(h) of the Five-Year Credit Agreement dated as of _____, 2007 (as amended, supplemented or otherwise modified through the date hereof, the "**Credit Agreement**") among The Black & Decker Corporation (the "**Company**"), Black & Decker Luxembourg Finance S.C.A., Black & Decker Luxembourg S.àR.L. and the each of you. Capitalized terms used herein have the same meanings as specified in the Credit Agreement.

We have acted as counsel to _____ (the "**Designated Subsidiary**") in connection with the preparation, execution and delivery of the Designation Letter executed by the Designated Subsidiary.

In that connection, we have examined originals or copies, certified or otherwise identified to our satisfaction, of:

- (a) The Designation Letter executed by the Designated Subsidiary.
- (b) The Credit Agreement.
- (c) Each of the Notes delivered by the Designated Subsidiary pursuant to Section 3.02(b) on the date hereof.
- (d) The documents furnished by the Designated Subsidiary pursuant to Article III of the Credit Agreement.
- (e) The [Certificate of Incorporation] [SPECIFY SIMILAR ORGANIZATIONAL DOCUMENTS] of the Designated Subsidiary and all amendments thereto through the date hereof (the "**Charter**").
- (f) The [by-laws] [SPECIFY SIMILAR CONSTITUENT DOCUMENTS] of the Designated Subsidiary and all amendments thereto through the date hereof (the "**By-laws**").
- (g) A certificate of the [Secretary of State][SPECIFY SIMILAR GOVERNMENTAL AUTHORITY, IF APPLICABLE] of _____, (the "**Jurisdiction**") dated _____, ____ attesting to the continued [corporate] existence and, to the extent such concept applies in the Jurisdiction, good standing of the Designated Subsidiary in such Jurisdiction.

We have also examined the originals, or copies certified to our satisfaction, of the documents listed in a certificate of the chief financial officer of the Designated Subsidiary, dated the date hereof (the "***Opinion Certificate***"), certifying that the documents listed in such certificate are all of the indentures, loan or credit agreements, leases, guarantees, mortgages, security agreements, bonds, notes and other agreements and instruments, and all of the orders, writs, judgments, awards, injunctions and decrees, that affect or purport to affect the Designated Subsidiary's right to borrow money or the Designated Subsidiary's obligations under the Designation Letter executed by the Designated Subsidiary, the Credit Agreement or any of the Notes. In addition, we have examined the originals, or copies certified to our satisfaction, of such other corporate records of the Designated Subsidiary, certificates of public officials and of officers of the Designated Subsidiary, and agreements, instruments and other documents, as we have deemed necessary as a basis for the opinions expressed below. As to questions of fact material to such opinions, we have, when relevant facts were not independently established by us, relied upon certificates of the Designated Subsidiary or its officers or of public officials.

In rendering the opinions set forth below, we have assumed that all documents submitted to us as certified or photostatic copies conform to the original documents, all signatures on all documents submitted to us for examination (other than that of the Designated Subsidiary on its Designation Letter and each of the Notes executed by it) are genuine, and all public records reviewed by us or on our behalf are accurate and complete.

Based upon the foregoing and upon such investigation as we have deemed necessary, we are of the opinion that:

(a) The Designated Subsidiary (i) is [a corporation] duly organized[,] [and] validly existing [and in good standing] under the laws of the Jurisdiction and (ii) has all requisite [corporate] power and authority to own or lease and operate its properties and to carry on its businesses as now conducted and as proposed to be conducted.

(b) The execution, delivery and performance by the Designated Subsidiary of its Designation Letter and the Notes issued by it, its performance of the Credit Agreement, and the consummation of the transactions contemplated thereby, are within the Designated Subsidiary's [corporate] powers, have been duly authorized by all necessary [corporate] action, and do not contravene the Charter or the By-laws.

(c) The execution, delivery and performance by the Designated Subsidiary of its Designation Letter, and by each of the Borrowers of the Credit Agreement and the Notes, and the consummation of the transactions contemplated thereby, do not (i) violate any law, statute, rule or regulation or (ii) conflict with or result in a breach of, or constitute a default under, or result in or require the creation or imposition of any Lien upon any property or assets of any Borrower or any of its Subsidiaries under, any indenture, loan or credit agreement, lease, guarantee, mortgage, security agreement, bond, note or other agreement or instrument, or any order, writ, judgment, award, injunction or decree, listed in the Opinion Certificate.

(d) No authorization, approval or other action by, and no notice to or filing with, any Governmental Authority of the Jurisdiction or any other third party that is a party to any agreement or document listed in the Opinion Certificate or, to our knowledge, any other third party is required for the due execution, delivery or performance by the Designated Subsidiary of its Designation Letter, or by any of the Borrowers of the Credit Agreement or any of the Notes, or for the consummation of any of the transactions contemplated thereby, other than the authorizations, approvals, actions, notices and filings that have been obtained or made and are not

subject to review on appeal or, to our knowledge, to collateral attack and are in full force and effect.

(e) The Designation Letter and each of the Notes issued by the Designated Subsidiary on the date hereof have been duly executed and delivered by the Designated Subsidiary.

(f) The choice of New York law to govern the Designation Letter of the Designated Subsidiary, the Credit Agreement and each of the Notes is a valid and effective choice of law under the laws of the Jurisdiction, and under the Jurisdiction's principles of conflicts of laws, a court of the Jurisdiction will apply New York law in an action or proceeding arising out of such Designation Letter, the Credit Agreement or any such Note to the extent that the parties thereto have agreed to its application therein, except to the extent that the Jurisdiction's procedural or remedial law shall apply. Without limiting the generality of the foregoing, a court of the Jurisdiction will apply the usury law of the State of New York to the Credit Agreement and each of the Notes.

(g) Neither the Administrative Agent nor any Lender is required to qualify to do business in the Jurisdiction or to comply with the requirements of any foreign lender statute in order to perform under the Credit Agreement or any of the Notes or to carry out any of the other transactions contemplated thereby or to avail themselves of the rights and remedies provided thereby, nor will the Administrative Agent or any Lender be subject to taxation in the Jurisdiction, in each case solely as the result of the performance of the Credit Agreement or any of the Notes.

(h) No stamp, registration or other similar taxes, fees or charges are or will be required to be paid in the Jurisdiction in connection with the execution, delivery, performance or enforcement of the Credit Agreement or any of the Notes.

We express no opinion as to the laws of any jurisdiction other than the laws of the Jurisdiction.

Very truly yours,

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EXHIBIT F
FORM OF DESIGNATION LETTER

[Date]

To each of the Lenders party to the
Credit Agreement referred to below,
and to Citibank, N.A., as Administrative
Agent for such Lenders

Ladies and Gentlemen:

Reference is made to the Five-Year Credit Agreement dated as of _____, 2007 (as amended, supplemented or otherwise modified from time to time, the "**Credit Agreement**", the terms defined therein being used herein as therein defined) among The Black & Decker Corporation, Black & Decker Luxembourg Finance S.C.A., Black & Decker Luxembourg S.àR.L., the Lenders party thereto, Citibank, N.A., as Administrative Agent for the Lenders thereunder, JPMorgan Chase Bank, N.A., as Syndication Agent, and Bank of America, N.A., BNP Paribas and Commerzbank AG, as co-syndication agents.

Please be advised that the Company hereby designates the undersigned Substantially Owned Subsidiary, _____, a _____ (the "**Designated Subsidiary**"), as a "Designated Subsidiary" and a "Borrower" under and for all purposes of the Credit Agreement.

The Designated Subsidiary, in consideration of the agreement of each Lender to extend credit to it from time to time under, and on the terms and conditions set forth in, the Credit Agreement does hereby assume each of the obligations imposed upon a Designated Subsidiary and a Borrower under the Credit Agreement and agrees to be bound by all of the terms and conditions of the Credit Agreement. The Designated Subsidiary has, on the date hereof, delivered to the Administrative Agent a properly completed and duly executed Note, in substantially the form of Exhibit A to the Credit Agreement, payable to the order of each Lender.

In furtherance of the foregoing, the Designated Subsidiary hereby represents and warrants to the Administrative Agent and each of the Lenders as follows:

1. The Designated Subsidiary (a) is a Person duly organized, validly existing and, to the extent such concept is applicable in the jurisdiction of organization of the Designated Subsidiary, in good standing under the laws of _____, (b) is duly qualified and, to the extent such concept is applicable in such jurisdiction, in good standing as a foreign corporation (or the equivalent thereof) in each other jurisdiction in which it owns or leases property or in which the conduct of its businesses requires it to so qualify or be licensed, except where the failure to so qualify or be licensed, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, and (c) has all requisite power and authority to own or lease and operate its properties and to carry on its businesses as now conducted and as proposed to be conducted.

2. The execution, delivery and performance by the Designated Subsidiary of this Designation Letter, the Credit Agreement and the Notes issued by the Designated Subsidiary and the consummation of the transactions contemplated hereby and thereby, are within the Designated Subsidiary's powers, have been duly authorized by all necessary action (including, without limitation, all necessary stockholders' action), and do not contravene (a) the Designated Subsidiary's charter or by-laws (or similar organizational documents), (b) any law, statute, rule or

regulation or any order, writ, judgment, injunction, decree, determination or award or (c) any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting the Designated Subsidiary, any of its Subsidiaries or any of their respective properties or assets.

3. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or any other third party is required for the due execution, delivery and performance by the Designated Subsidiary of this Designation Letter, the Credit Agreement or any of the Notes issued by the Designated Subsidiary, or for the consummation of the transactions contemplated hereby and thereby, except as have been obtained or made and are in full force and effect.

4. This Designation Letter has been, and each of the Notes issued by the Designated Subsidiary when delivered under the Credit Agreement will have been, duly executed and delivered by the Designated Subsidiary. Each of this Designation Letter and the Credit Agreement is, and each of the Notes issued by the Designated Subsidiary when delivered under the Credit Agreement will be, the legal, valid and binding obligation of the Designated Subsidiary, enforceable against the Designated Subsidiary in accordance with their respective terms, except to the extent that the enforceability thereof may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to or affecting creditors' rights generally or by general principles of equity.

5. There is no action, suit, investigation, litigation or proceeding (including, without limitation, any Environmental Action), against or in any way affecting the Designated Subsidiary or any of its Subsidiaries or any of their respective properties or businesses pending or, to the best knowledge of the Designated Subsidiary, threatened before any court, Governmental Authority or arbitrator that (i) either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or (ii) purports to adversely affect the legality, validity or enforceability of this Designation Letter, the Credit Agreement or any of the Notes issued by the Designated Subsidiary, or the consummation of the transactions contemplated hereby and thereby.

6. The Designated Subsidiary is not engaged in the business of extending credit for the purpose of purchasing or carrying "margin stock" (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no proceeds of any Advance to the Designated Subsidiary will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying margin stock

7. The Designated Subsidiary is not an "investment company", or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company" (each as defined in the Investment Company Act of 1940, as amended). Neither the making of any Advances to the Designated Subsidiary nor the application of the proceeds or the repayment thereof by the Designated Subsidiary, nor the consummation of the other transactions contemplated hereby or by the Credit Agreement, will violate any provision of such Act or any rule, regulation or order of the Securities and Exchange Commission thereunder.

Each Designated Subsidiary hereby irrevocably appoints the Company as its authorized agent to receive and deliver notices in accordance with Section 9.02(c) of the Credit Agreement, and hereby irrevocably agrees that (A) in the case of any notices delivered to the Company, on behalf of the Designated Subsidiary, in accordance with Section 9.02(c)(i) of the Credit Agreement, the failure of the Company to give any notice referred to therein to the Designated Subsidiary shall not impair or affect the validity of such notice with respect thereto and (B) in the case of Notice of Borrowing or notice of

Conversion delivered pursuant to Section 2.09 of the Credit Agreement by the Company, on behalf of the Designated Subsidiary, in accordance with Section 9.02(c)(ii) of the Credit Agreement, the delivery of any such notice by the Company, on behalf of the Designated Subsidiary, shall be binding on the Designated Subsidiary to the same extent as if such notice had been executed and delivered directly by the Designated Subsidiary.

The Designated Subsidiary hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York state court or federal court of the United States of America sitting in New York City, New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Designation Letter, the Credit Agreement or any of the Notes issued by the Designated Subsidiary or for recognition or enforcement of any judgment, and hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by applicable law, in such federal court. The Designated Subsidiary hereby further irrevocably consents to the service of process in any action or proceeding in such courts by the mailing thereof by any Lender or the Administrative Agent by registered or certified mail, postage prepaid, to it at its address specified below its name on the signature page hereto. The Designated Subsidiary hereby further agrees that service of process in any such action or proceeding brought in any such New York State court or in any such federal court may be made upon the Company at the address referred to in Section 9.02 of the Credit Agreement, and the Designated Subsidiary hereby irrevocably appoints the Company as its authorized agent to accept such service of process, and agrees that the failure of the Company to give any notice of any such service to it shall not impair or affect the validity of such service or of any judgment rendered in any action or proceeding based thereon. The Designated Subsidiary agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable law. Nothing in this Designation Letter, the Credit Agreement or any of the Notes issued by the Designated Subsidiary shall affect any right that any party may otherwise have to serve legal process in any other manner permitted by applicable law or to bring any action or proceeding relating to this Designation Letter, the Credit Agreement or any such Note in the courts of any jurisdiction.

The Designated Subsidiary irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Designation Letter, the Credit Agreement or any of the Notes issued by it in any New York state or federal court. The Designated Subsidiary hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

To the extent that the Designated Subsidiary has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Designated Subsidiary hereby irrevocably waives such immunity in respect of its obligations under this Designation Letter, the Credit Agreement or any of the Notes issued by it.

The Designated Subsidiary hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Designation Letter, the Credit Agreement or any of the Notes issued by it or the actions of the Administrative Agent or any Lender in the negotiation, administration, performance or enforcement thereof.

Very truly yours,

THE BLACK & DECKER CORPORATION

By _____
Name:
Title:

[THE DESIGNATED SUBSIDIARY]

By _____
Name:
Title:

Address:

Acknowledged and Agreed to
as of the date first above written:

CITIBANK, N.A., as Administrative Agent

By _____

Name:
Title:

EXHIBIT G
FORM OF ACCEPTANCE OF PROCESS AGENT

[LETTERHEAD OF THE COMPANY]

[Date]

To each of the Lenders party to the
Credit Agreement referred to below,
and to Citibank, N.A., as Administrative
Agent for such Lenders

[Name of Designated Subsidiary]

Ladies and Gentlemen:

Reference is made to (a) the Five-Year Credit Agreement dated as of _____, 2007 (as amended, supplemented or otherwise modified from time to time, the "**Credit Agreement**"; the terms defined therein being used herein as therein defined) among The Black & Decker Corporation (the "**Company**"), among Black & Decker Luxembourg Finance S.C.A., Black & Decker Luxembourg S.àR.L., the Lenders party thereto, Citibank, N.A., as Administrative Agent for the Lenders thereunder, JPMorgan Chase Bank, N.A., as Syndication Agent, and Bank of America, N.A., BNP Paribas and Commerzbank AG, as co-syndication agents, and (b) the Designation Letter dated _____, pursuant to which _____, a _____ (the "**Designated Subsidiary**"), has become a "*Designated Subsidiary*" and a "*Borrower*" under and for all purposes of the Credit Agreement.

Pursuant to Section 9.12 of the Credit Agreement and to its Designation Letter, the Designated Subsidiary has appointed the Company (with an office on the date hereof at 701 East Joppa Road, Towson, Maryland 21286, Attention: _____) as its process agent (the "**Process Agent**") to receive on behalf of the Designated Subsidiary and its property service of copies of any summons and complaint and any other process that may be served in any action or proceeding in any New York state court or any federal court sitting in New York City, New York, and any appellate court from any thereof, arising out of or relating to its Designation Letter, the Credit Agreement or any of the Notes issued by it.

The undersigned hereby accepts such appointment as the Process Agent and agrees with each of you that (a) the Company will maintain an office in Towson, Maryland, through the Termination Date and will give the Administrative Agent prompt notice of any change of its address, (b) the Company will perform its duties as the Process Agent to receive on behalf of the Designated Subsidiary and its property service of copies of any summons and complaint and any other process that may be served in any action or proceeding in any New York state court or any federal court sitting in New York City, New York, and any appellate court from any thereof, arising out of or relating to the Designation Letter of the Designated Subsidiary, the Credit Agreement or any of the Notes issued by the Designated Subsidiary and (c) the undersigned will forward forthwith to the Designated Subsidiary at its address at _____ or, if different, its then current address, copies of any summons, complaint and other process that the undersigned receives in connection with its appointment as the Process Agent therefor.

This acceptance and agreement shall be binding upon the Company and all of its successors and assigns.

Very truly yours,

THE BLACK & DECKER CORPORATION

By _____
Name:
Title:

THE BLACK & DECKER CORPORATION AND SUBSIDIARIES

LIST OF SUBSIDIARIES

Listed below are the subsidiaries of The Black & Decker Corporation as of December 31, 2009. Names of certain inactive, liquidated, or minor subsidiaries have been omitted.

Baldwin Hardware Corporation	UNITED STATES
Black & Decker Abrasives Inc.	UNITED STATES
Black & Decker Inc.	UNITED STATES
Black & Decker (U.S.) Inc.	UNITED STATES
Black & Decker Funding Corporation	UNITED STATES
Black & Decker Group, LLC	UNITED STATES
Black & Decker HealthCare Management Inc.	UNITED STATES
Black & Decker Holdings LLC	UNITED STATES
Black & Decker Investment Company, LLC	UNITED STATES
Black & Decker Investments LLC	UNITED STATES
Black & Decker (Ireland) Inc.	UNITED STATES
Black & Decker India Inc.	UNITED STATES
Black & Decker Investments (Australia) Limited	UNITED STATES
Black & Decker (Puerto Rico) LLC	UNITED STATES
Delta International Machinery Corp.	UNITED STATES
Devilbiss Air Power Company	UNITED STATES
Emglo Products, LLC	UNITED STATES
Emhart Credit Corporation	UNITED STATES
Emhart Harttung Inc.	UNITED STATES
Emhart Technologies LLC	UNITED STATES
Kwikset Corporation	UNITED STATES
Newfrey LLC	UNITED STATES
Price Pfister Holdings Inc.	UNITED STATES
Price Pfister, Inc.	UNITED STATES
Shenandoah Insurance, Inc.	UNITED STATES
Spiralock Corporation	UNITED STATES
Vector Products, Inc.	UNITED STATES
Weiser Lock Corporation	UNITED STATES
Black & Decker Argentina S.A.	ARGENTINA
Black & Decker (Australia) Pty. Ltd.	AUSTRALIA
Black & Decker Distribution Pty. Ltd.	AUSTRALIA
Black & Decker Finance (Australia) Ltd.	AUSTRALIA
Black & Decker Holdings (Australia) Pty. Ltd.	AUSTRALIA
Kwikset (Australasia) Pty. Ltd.	AUSTRALIA
Black & Decker Werkzeuge Vertriebs-Gesellschaft M.B.H	AUSTRIA

Black & Decker (Belgium) N.V.	BELGIUM
Black & Decker Do Brasil Ltda.	BRAZIL
Refal Industria e Comercio de Rebites e Rebitadeiras Ltda.	BRAZIL
Spiralock Do Brasil, LTDA.	BRAZIL
Black & Decker Canada Inc.	CANADA
Black & Decker (Cayman) Finance Limited	CAYMAN ISLANDS
Black & Decker Manufacturing, Distribution, and Global Purchasing Holdings LP	CAYMAN ISLANDS
Jointech Corporation, Ltd.	CAYMAN ISLANDS
Wintech Corporation Limited	CAYMAN ISLANDS
Maquinas y Herramientas Black & Decker de Chile S.A.	CHILE
Anzi Masterfix Tool Ltd.	CHINA
Black & Decker Asia Based Enterprises	CHINA
Black & Decker (Suzhou) Co. Ltd.	CHINA
Black & Decker (Suzhou) Power Tools Co., Ltd.	CHINA
Black & Decker (Suzhou) Precision Manufacturing Co., LTD	CHINA
Black & Decker (Suzhou) SSC Asia	CHINA
Black & Decker (Xiamen) Industrial Co. Ltd.	CHINA
Guangzhou Emhart Fastening System Co., Ltd.	CHINA
Qingdao Sungun Power Tool Co., Ltd.	CHINA
Shanghai Emhart Fastening Systems Ltd.	CHINA
Spiralock (Shanghai) Trading Co., Ltd.	CHINA
Black & Decker de Colombia S.A.	COLOMBIA
Black and Decker de Costa Rica Limitada	COSTA RICA
Black & Decker (Czech) S.R.O.	CZECH REPUBLIC
Black & Decker Trading s.r.o.	CZECH REPUBLIC
Tucker S.R.O.	CZECH REPUBLIC
Emhart Harttung A/S	DENMARK
Black & Decker Del Ecuador S.A.	ECUADOR
Black & Decker Oy	FINLAND
Black & Decker Finance S.A.S.	FRANCE
Black & Decker (France) S.A.S.	FRANCE
Emhart Fastening & Assembly SNC	FRANCE
Emhart S.A.R.L.	FRANCE
BD Beteiligungs GmbH & Co. K.G.	GERMANY
B.B.W. Bayrische Bohrerwerke GmbH	GERMANY
Black & Decker GmbH	GERMANY
Masterfix Verbindungssysteme GmbH	GERMANY
Tucker GmbH	GERMANY
Black & Decker (Hellas) S.A.	GREECE
BD Precision (Hong Kong) Limited	HONG KONG
BD Suzhou (Hong Kong) Limited	HONG KONG
BD Suzhou Power Tools (Hong Kong) Limited	HONG KONG
BD Xiamen (Hong Kong) Limited	HONG KONG
Black & Decker Hong Kong Limited	HONG KONG

Emhart Asia Limited	HONG KONG
Emhart Guangzhou (Hong Kong) Limited	HONG KONG
Hangtech Limited	HONG KONG
Spiralock Global Ventures, Limited	HONG KONG
Black & Decker Hungary Korlatolt Felelossegu Tarsasag	HUNGARY
Black & Decker India Private Limited	INDIA
Emhart Technologies (India) Private Limited	INDIA
Baltimore Financial Services Company	IRELAND
Baltimore Insurance Limited	IRELAND
Belco Investments Company	IRELAND
Black & Decker (Ireland)	IRELAND
Chesapeake Falls Holdings Company	IRELAND
Gamrie Limited	IRELAND
Black & Decker Italia S.P.A.	ITALY
Black & Decker Italia S.R.L.	ITALY
Nippon Pop Rivets & Fasteners Ltd.	JAPAN
Black & Decker (Overseas) GmbH	LIECHTENSTEIN
Black & Decker Global Holdings S.A.R.L.	LUXEMBOURG
Black & Decker Limited S.A.R.L.	LUXEMBOURG
Black & Decker Luxembourg Finance S.C.A.	LUXEMBOURG
Black & Decker Luxembourg S.A.R.L.	LUXEMBOURG
Chesapeake Investments Company S.A.R.L.	LUXEMBOURG
Black & Decker Macao Commercial Offshore Limited	MACAO
Black & Decker Asia Pacific (Malaysia) Sdn. Bhd.	MALAYSIA
Black & Decker de Reynosa S. de R.L. de C.V.	MEXICO
Black & Decker HHI Mexico, S. de R.L. de C.V.	MEXICO
Black & Decker, S.A. de C.V.	MEXICO
DeWalt Industrial Tools, S.A. de C.V.	MEXICO
Grupo Black & Decker Mexico, S. de R.L.de C.V.	MEXICO
Weiser Lock Mexico, S. De R.L. De C.V.	MEXICO
Black & Decker (Nederland) B.V.	NETHERLANDS
Black & Decker NL B.V.	NETHERLANDS
Black & Decker Far East Holdings B.V.	NETHERLANDS
Black & Decker Hardware Holdings B.V.	NETHERLANDS
Black & Decker Holdings B.V.	NETHERLANDS
Black & Decker International Holdings B.V./S.a.r.l.	NETHERLANDS
Black & Decker Overseas Holdings B.V.	NETHERLANDS
Interfast B.V.	NETHERLANDS
Masterfix Products B.V.	NETHERLANDS
Black & Decker (New Zealand) Limited	NEW ZEALAND
Black & Decker (Norge) A/S	NORWAY
Emhart Sjong A/S	NORWAY
Black & Decker de Panama, S.A.	PANAMA
Black & Decker International Corporation	PANAMA
Emhart Panama, S.A.	PANAMA

Black & Decker Del Peru S.A.	PERU
Black & Decker Polska Sp.z.o.o.	POLAND
Masterfix Poland Ltd. Sp.z.o.o	POLAND
Black & Decker Asia Pacific Pte. Ltd.	SINGAPORE
Black & Decker Slovakia S.r.o.	SLOVAKIA
Emhart Fastening Technologies Korea, Inc.	SOUTH KOREA
Black & Decker Iberica S.Com por A.	SPAIN
Black & Decker Aktiebolag	SWEDEN
Emhart Teknik Akteibolag	SWEDEN
Black & Decker (Switzerland) GmbH	SWITZERLAND
Emhart GmbH	SWITZERLAND
Joinery Industrial Co., Ltd.	TAIWAN
Black & Decker (Thailand) Limited	THAILAND
Emhart Technologies (Thailand) Ltd.	THAILAND
Aven Tools Limited	UNITED KINGDOM
Bandhart	UNITED KINGDOM
Bandhart Overseas	UNITED KINGDOM
Black & Decker (UK) Marketing Limited	UNITED KINGDOM
Black & Decker Batteries Management Limited	UNITED KINGDOM
Black & Decker Finance	UNITED KINGDOM
Black & Decker International	UNITED KINGDOM
Black & Decker	UNITED KINGDOM
Black & Decker Europe	UNITED KINGDOM
Emhart International Limited	UNITED KINGDOM
Masterfix Products U.K. Ltd.	UNITED KINGDOM
Masterfix UK Holdings Limited	UNITED KINGDOM
Tucker Fasteners Limited	UNITED KINGDOM
Spiralock of Europe Ltd.	UNITED KINGDOM
Black & Decker de Venezuela, C.A.	VENEZUELA
Black & Decker Holdings de Venezuela, C.A.	VENEZUELA

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements of The Black & Decker Corporation and The Stanley Works of our reports dated February 19, 2010, with respect to the consolidated financial statements and schedule of The Black & Decker Corporation and Subsidiaries, and the effectiveness of internal control over financial reporting of The Black & Decker Corporation and Subsidiaries, included in this Annual Report (Form 10-K) for the year ended December 31, 2009.

Registration Statement Number	Description
The Black & Decker Corporation	
33-26917	Form S-8
33-33251	Form S-8
33-47652	Form S-8
33-58795	Form S-8
33-65013	Form S-8
333-03593	Form S-8
333-51155	Form S-8
333-51157	Form S-8
333-35986	Form S-8
333-113283	Form S-8
333-115301	Form S-8
333-138604	Form S-3 ASR
333-150805	Form S-8
The Stanley Works	
333-163509	Form S-4

/s/ ERNST & YOUNG LLP
Baltimore, Maryland
February 19, 2010

POWER OF ATTORNEY

We, the undersigned Directors and Officers of The Black & Decker Corporation (the "Corporation"), hereby constitute and appoint Nolan D. Archibald, Stephen F. Reeves and Charles E. Fenton, and each of them, with power of substitution, our true and lawful attorneys-in-fact with full power to sign for us, in our names and in the capacities indicated below, the Corporation's Annual Report on Form 10-K for the year ended December 31, 2009, and any and all amendments thereto.

<u>/s/ NOLAN D. ARCHIBALD</u> Nolan D. Archibald	Director, Chairman, President and Chief Executive Officer (Principal Executive Officer)	February 11, 2010
<u>/s/ NORMAN R. AUGUSTINE</u> Norman R. Augustine	Director	February 11, 2010
<u>/s/ BARBARA L. BOWLES</u> Barbara L. Bowles	Director	February 11, 2010
<u>/s/ GEORGE W. BUCKLEY</u> George W. Buckley	Director	February 11, 2010
<u>/s/ M. ANTHONY BURNS</u> M. Anthony Burns	Director	February 11, 2010
<u>/s/ KIM B. CLARK</u> Kim B. Clark	Director	February 11, 2010
<u>/s/ MANUEL A. FERNANDEZ</u> Manuel A. Fernandez	Director	February 11, 2010
<u>/s/ BENJAMIN H. GRISWOLD, IV</u> Benjamin H. Griswold, IV	Director	February 11, 2010

/s/ ANTHONY LUISO
Anthony Luiso

Director

February 11, 2010

/s/ ROBERT L. RYAN
Robert L. Ryan

Director

February 11, 2010

/s/ MARK H. WILLES
Mark H. Willes

Director

February 11, 2010

/s/ STEPHEN F. REEVES
Stephen F. Reeves

Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

February 11, 2010

/s/ CHRISTINA M. MCMULLEN
Christina M. McMullen

Vice President and Controller
(Principal Accounting Officer)

February 11, 2010

THE BLACK & DECKER CORPORATION

C E R T I F I C A T I O N S

I, Nolan D. Archibald, certify that:

1. I have reviewed this annual report on Form 10-K of The Black & Decker Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ NOLAN D. ARCHIBALD

Nolan D. Archibald

Chairman, President, and Chief Executive Officer

February 19, 2010

THE BLACK & DECKER CORPORATION

C E R T I F I C A T I O N S

I, Stephen F. Reeves, certify that:

1. I have reviewed this annual report on Form 10-K of The Black & Decker Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEPHEN F. REEVES

Stephen F. Reeves
Senior Vice President and Chief Financial Officer
February 19, 2010

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of The Black & Decker Corporation (the “Corporation”) on Form 10-K for the period ended December 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Nolan D. Archibald, Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ NOLAN D. ARCHIBALD

Nolan D. Archibald
Chief Executive Officer
February 19, 2010

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of The Black & Decker Corporation (the “Corporation”) on Form 10-K for the period ended December 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen F. Reeves, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ STEPHEN F. REEVES

Stephen F. Reeves
Chief Financial Officer
February 19, 2010

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